



HEALTH ANNUAL STATEMENT
FOR THE YEAR ENDING DECEMBER 31, 2008
OF THE CONDITION AND AFFAIRS OF THE

CareFirst BlueChoice, Inc.

NAIC Group Code	0380	(Current Period)	0380	(Prior Period)	NAIC Company Code	96202	Employer's ID Number	52-1358219
Organized under the Laws of	District of Columbia				State of Domicile or Port of Entry	District of Columbia		
Country of Domicile	United States							
Licensed as business type:	Life, Accident & Health []		Property/Casualty []		Dental Service Corporation []			
	Vision Service Corporation []		Other []		Health Maintenance Organization [X]			
	Hospital, Medical & Dental Service or Indemnity []				Is HMO, Federally Qualified? Yes [] No [X]			
Incorporated/Organized	06/22/1984				Commenced Business	03/01/1985		
Statutory Home Office	840 First Street, NE				Washington, DC 20065			
	(Street and Number)				(City or Town, State and Zip Code)			
Main Administrative Office	10455 Mill Run Circle				410-581-3000			
	(City or Town, State and Zip Code)				(Area Code) (Telephone Number)			
Mail Address	10455 Mill Run Circle				Owings Mills, MD 21117			
	(Street and Number or P.O. Box)				(City or Town, State and Zip Code)			
Primary Location of Books and Records	10455 Mill Run Circle				410-998-7011			
	(City or Town, State and Zip Code)				(Area Code) (Telephone Number)			
Internet Website Address	www.carefirst.com							
Statutory Statement Contact	William Vincent Stack				410-998-7011			
	(Name)				(Area Code) (Telephone Number) (Extension)			
	(E-mail Address)				(FAX Number)			

OFFICERS

Name	Title	Name	Title
Jon Paul Shematek, M.D.	President	Lisa Marlene Myers	Secretary
Jeanne Ann Kennedy	Treasurer	Joseph Petralia	Assistant Secretary

OTHER OFFICERS

David Donald Wolf	EVP, Medical Systems	Gregory Allen Devou	EVP, Chief Mktg Officer
Sharon Jean Vecchioni	EVP, Chief of Staff	Gregory Mark Chaney	EVP, CFO
Gwendolyn Denise Skillern	SVP, General Auditor	Michael John Felber	SVP, Sales
Maria Harris Tildon #	SVP, Public Policy	Rita Ann Costello	SVP, Strategic Marketing
Pamela Susan Deuterman #	SVP, ASU-FEP	Kenny Waitem Kan #	SVP, Chief Actuary
Dennis Allen Cupido #	SVP, ASU-Large Groups	Alok Gupta #	SVP, CIO
Michael Bruce Edwards	SVP, Networks Mgmt	Glenn Rothman #	SVP, Shared Services

DIRECTORS OR TRUSTEES

David Donald Wolf	Gregory Mark Chaney	Gregory Allen Devou	Teresa Gardner Harrison
John Edward Herold	Robert Isaac Jeffrey	John Anthony Picciotto	Jon Paul Shematek, M.D.

State of

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County of

The officers of this reporting entity, being duly sworn, each depose and say that they are the described officers of said reporting entity, and that on the reporting period stated above, all of the herein described assets were the absolute property of the said reporting entity, free and clear from any liens or claims thereon, except as herein stated, and that this statement, together with related exhibits, schedules and explanations therein contained, annexed or referred to is a full and true statement of all the assets and liabilities and of the condition and affairs of the said reporting entity as of the reporting period stated above, and of its income and deductions therefrom for the period ended, and have been completed in accordance with the NAIC Annual Statement Instructions and Accounting Practices and Procedures manual except to the extent that: (1) state law may differ; or, (2) that state rules or regulations require differences in reporting not related to accounting practices and procedures, according to the best of their information, knowledge and belief, respectively. Furthermore, the scope of this attestation by the described officers also includes the related corresponding electronic filing with the NAIC, when required, that is an exact copy (except for formatting differences due to electronic filing) of the enclosed statement. The electronic filing may be requested by various regulators in lieu of or in addition to the enclosed statement.

Jon Paul Shematek, M.D. President	Lisa Marlene Myers Secretary	Jeanne Ann Kennedy Treasurer
Subscribed and sworn to before me this _____ day of _____, _____		
a. Is this an original filing? Yes [X] No []		
b. If no,		
1. State the amendment number _____		
2. Date filed _____		
3. Number of pages attached _____		

ASSETS

	Current Year			Prior Year
	1	2	3	4
	Assets	Nonadmitted Assets	Net Admitted Assets (Cols. 1 - 2)	Net Admitted Assets
1. Bonds (Schedule D).....	374,339,162		374,339,162	398,210,891
2. Stocks (Schedule D):				
2.1 Preferred stocks	3,254,294		3,254,294	3,566,467
2.2 Common stocks	64,923,424		64,923,424	54,539,129
3. Mortgage loans on real estate (Schedule B):				
3.1 First liens			0	0
3.2 Other than first liens			0	0
4. Real estate (Schedule A):				
4.1 Properties occupied by the company (less \$ encumbrances).....			0	0
4.2 Properties held for the production of income (less \$ encumbrances)			0	0
4.3 Properties held for sale (less \$ encumbrances)			0	0
5. Cash (\$ (1,376,858) , Schedule E, Part 1), cash equivalents (\$0 , Schedule E, Part 2) and short-term investments (\$80,540,507 , Schedule DA).....	79,163,650		79,163,650	52,886,279
6. Contract loans, (including \$premium notes)			0	0
7. Other invested assets (Schedule BA)	130,782	130,782	0	212,835
8. Receivables for securities			0	0
9. Aggregate write-ins for invested assets	0	0	0	0
10. Subtotals, cash and invested assets (Lines 1 to 9)	521,811,312	130,782	521,680,530	509,415,601
11. Title plants less \$charged off (for Title Insurers only)			0	0
12. Investment income due and accrued	3,190,070		3,190,070	3,987,014
13. Premiums and considerations:				
13.1 Uncollected premiums and agents' balances in the course of collection	39,081,390	122,714	38,958,676	38,676,867
13.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due (including \$earned but unbilled premium).....			0	0
13.3 Accrued retrospective premium.....			0	0
14. Reinsurance:				
14.1 Amounts recoverable from reinsurers			0	0
14.2 Funds held by or deposited with reinsured companies			0	0
14.3 Other amounts receivable under reinsurance contracts	869,959		869,959	0
15. Amounts receivable relating to uninsured plans			0	0
16.1 Current federal and foreign income tax recoverable and interest thereon	736,361		736,361	0
16.2 Net deferred tax asset.....	12,986,332	7,749,517	5,236,815	2,755,264
17. Guaranty funds receivable or on deposit			0	0
18. Electronic data processing equipment and software			0	0
19. Furniture and equipment, including health care delivery assets (\$)			0	0
20. Net adjustment in assets and liabilities due to foreign exchange rates			0	0
21. Receivables from parent, subsidiaries and affiliates	12,037,937		12,037,937	11,016,633
22. Health care (\$47,980,110) and other amounts receivable.....	63,672,086	3,068,392	60,603,694	57,812,066
23. Aggregate write-ins for other than invested assets	3,272,951	1,078,538	2,194,413	81,884
24. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 10 to 23).....	657,658,398	12,149,943	645,508,455	623,745,329
25. From Separate Accounts, Segregated Accounts and Protected Cell Accounts.....			0	0
26. Total (Lines 24 and 25)	657,658,398	12,149,943	645,508,455	623,745,329
DETAILS OF WRITE-INS				
0901.				
0902.				
0903.				
0998. Summary of remaining write-ins for Line 9 from overflow page	0	0	0	0
0999. Totals (Lines 0901 through 0903 plus 0998) (Line 9 above)	0	0	0	0
2301. State Tax Recoverable.....	2,194,413		2,194,413	81,884
2302. Other Assets Not Admitted-Prepaid Expenses.....	1,078,538	1,078,538	0	0
2303.				
2398. Summary of remaining write-ins for Line 23 from overflow page	0	0	0	0
2399. Totals (Lines 2301 through 2303 plus 2398) (Line 23 above)	3,272,951	1,078,538	2,194,413	81,884

LIABILITIES, CAPITAL AND SURPLUS

	Current Year			Prior Year
	1 Covered	2 Uncovered	3 Total	4 Total
1. Claims unpaid (less \$ reinsurance ceded)	140,860,654	8,361,126	149,221,780	123,281,887
2. Accrued medical incentive pool and bonus amounts			0	0
3. Unpaid claims adjustment expenses	5,174,835	307,165	5,482,000	5,195,000
4. Aggregate health policy reserves	12,623,584		12,623,584	15,622,972
5. Aggregate life policy reserves			0	0
6. Property/casualty unearned premium reserves			0	0
7. Aggregate health claim reserves			0	0
8. Premiums received in advance	46,867,503		46,867,503	47,987,183
9. General expenses due or accrued	23,316,789		23,316,789	23,976,948
10.1 Current federal and foreign income tax payable and interest thereon (including \$ on realized capital gains (losses))			0	7,440,433
10.2 Net deferred tax liability			0	0
11. Ceded reinsurance premiums payable			0	0
12. Amounts withheld or retained for the account of others	34,877		34,877	321,695
13. Remittance and items not allocated			0	0
14. Borrowed money (including \$ current) and interest thereon \$ (including \$ current)			0	0
15. Amounts due to parent, subsidiaries and affiliates			0	51,357
16. Payable for securities			0	0
17. Funds held under reinsurance treaties with (\$ authorized reinsurers and \$ unauthorized reinsurers)			0	0
18. Reinsurance in unauthorized companies			0	0
19. Net adjustments in assets and liabilities due to foreign exchange rates			0	0
20. Liability for amounts held under uninsured plans			0	0
21. Aggregate write-ins for other liabilities (including \$ current)	1,286,539	0	1,286,539	446,550
22. Total liabilities (Lines 1 to 21)	230,164,781	8,668,291	238,833,072	224,324,025
23. Aggregate write-ins for special surplus funds	XXX	XXX	0	0
24. Common capital stock	XXX	XXX	10,000	10,000
25. Preferred capital stock	XXX	XXX		0
26. Gross paid in and contributed surplus	XXX	XXX	50,615,750	50,615,750
27. Surplus notes	XXX	XXX		0
28. Aggregate write-ins for other than special surplus funds	XXX	XXX	0	0
29. Unassigned funds (surplus)	XXX	XXX	356,049,633	348,795,554
30. Less treasury stock, at cost:				
30.1 shares common (value included in Line 24 \$)	XXX	XXX		0
30.2 shares preferred (value included in Line 25 \$)	XXX	XXX		0
31. Total capital and surplus (Lines 23 to 29 minus Line 30)	XXX	XXX	406,675,383	399,421,304
32. Total liabilities, capital and surplus (Lines 22 and 31)	XXX	XXX	645,508,455	623,745,329
DETAILS OF WRITE-INS				
2101. Reinsurance Payable	634,464		634,464	0
2102. Amounts held for escheatment to state	652,075		652,075	446,550
2103.				
2198. Summary of remaining write-ins for Line 21 from overflow page	0	0	0	0
2199. Totals (Lines 2101 through 2103 plus 2198) (Line 21 above)	1,286,539	0	1,286,539	446,550
2301.	XXX	XXX		
2302.	XXX	XXX		
2303.	XXX	XXX		
2398. Summary of remaining write-ins for Line 23 from overflow page	XXX	XXX	0	0
2399. Totals (Lines 2301 through 2303 plus 2398) (Line 23 above)	XXX	XXX	0	0
2801.	XXX	XXX		
2802.	XXX	XXX		
2803.	XXX	XXX		
2898. Summary of remaining write-ins for Line 28 from overflow page	XXX	XXX	0	0
2899. Totals (Lines 2801 through 2803 plus 2898) (Line 28 above)	XXX	XXX	0	0

STATEMENT OF REVENUE AND EXPENSES

	Current Year		Prior Year
	1 Uncovered	2 Total	3 Total
1. Member Months.....	XXX	6,999,903	7,620,204
2. Net premium income (including \$0 non-health premium income).....	XXX	1,743,313,552	1,591,324,597
3. Change in unearned premium reserves and reserve for rate credits	XXX	2,999,388	(3,607,872)
4. Fee-for-service (net of \$ medical expenses)	XXX		0
5. Risk revenue	XXX	102,827	915,604
6. Aggregate write-ins for other health care related revenues	XXX	0	0
7. Aggregate write-ins for other non-health revenues	XXX	0	0
8. Total revenues (Lines 2 to 7)	XXX	1,746,415,767	1,588,632,329
Hospital and Medical:			
9. Hospital/medical benefits	55,467,494	1,093,734,284	941,360,839
10. Other professional services		27,194,897	25,106,447
11. Outside referrals	10,248,980	10,248,980	10,636,483
12. Emergency room and out-of-area	15,960,326	85,097,662	73,087,486
13. Prescription drugs		241,417,493	209,068,984
14. Aggregate write-ins for other hospital and medical.....	0	0	0
15. Incentive pool, withhold adjustments and bonus amounts.....			0
16. Subtotal (Lines 9 to 15)	81,676,800	1,457,693,316	1,259,260,239
Less:			
17. Net reinsurance recoveries		(4,776,439)	0
18. Total hospital and medical (Lines 16 minus 17)	81,676,800	1,462,469,755	1,259,260,239
19. Non-health claims (net).....			0
20. Claims adjustment expenses, including \$13,306,287 cost containment expenses.....		54,772,752	46,867,230
21. General administrative expenses.....		222,550,634	202,550,860
22. Increase in reserves for life and accident and health contracts (including \$ increase in reserves for life only).....		0	0
23. Total underwriting deductions (Lines 18 through 22)	81,676,800	1,739,793,141	1,508,678,329
24. Net underwriting gain or (loss) (Lines 8 minus 23)	XXX	6,622,626	79,954,000
25. Net investment income earned (Exhibit of Net Investment Income, Line 17).....		24,834,203	22,542,246
26. Net realized capital gains (losses) less capital gains tax of \$(3,333,083)		(13,332,325)	(307,616)
27. Net investment gains (losses) (Lines 25 plus 26)	0	11,501,878	22,234,630
28. Net gain or (loss) from agents' or premium balances charged off [(amount recovered \$) (amount charged off \$)]			0
29. Aggregate write-ins for other income or expenses	0	(940,277)	129,018
30. Net income or (loss) after capital gains tax and before all other federal income taxes (Lines 24 plus 27 plus 28 plus 29).....	XXX	17,184,227	102,317,648
31. Federal and foreign income taxes incurred	XXX	(2,128,333)	21,718,326
32. Net income (loss) (Lines 30 minus 31)	XXX	19,312,560	80,599,322
DETAILS OF WRITE-INS			
0601.	XXX		
0602.	XXX		
0603.	XXX		
0698. Summary of remaining write-ins for Line 6 from overflow page	XXX	0	0
0699. Totals (Lines 0601 through 0603 plus 0698) (Line 6 above)	XXX	0	0
0701.	XXX		
0702.	XXX		
0703.	XXX		
0798. Summary of remaining write-ins for Line 7 from overflow page	XXX	0	0
0799. Totals (Lines 0701 through 0703 plus 0798) (Line 7 above)	XXX	0	0
1401. Legal fees/credits.....			0
1402.			
1403.			
1498. Summary of remaining write-ins for Line 14 from overflow page	0	0	0
1499. Totals (Lines 1401 through 1403 plus 1498) (Line 14 above)	0	0	0
2901. Miscellaneous Income/Expense.....		(940,277)	129,018
2902.			
2903.			
2998. Summary of remaining write-ins for Line 29 from overflow page	0	0	0
2999. Totals (Lines 2901 through 2903 plus 2998) (Line 29 above)	0	(940,277)	129,018

STATEMENT OF REVENUE AND EXPENSES (continued)

	1 Current Year	2 Prior Year
CAPITAL AND SURPLUS ACCOUNT:		
33. Capital and surplus prior-reporting period	399,421,305	322,094,846
34. Net income or (loss) from Line 32	19,312,560	80,599,322
35. Change in valuation basis of aggregate policy and claim reserves		0
36. Change in net unrealized capital gains (losses) less capital gains tax of \$(4,313,981)	(8,824,431)	(4,491,423)
37. Change in net unrealized foreign exchange capital gain or (loss)	(224,422)	387,734
38. Change in net deferred income tax	5,917,087	1,488,525
39. Change in nonadmitted assets	(8,960,817)	(657,699)
40. Change in unauthorized reinsurance	0	0
41. Change in treasury stock	0	0
42. Change in surplus notes	0	0
43. Cumulative effect of changes in accounting principles		0
44. Capital Changes:		
44.1 Paid in	0	0
44.2 Transferred from surplus (Stock Dividend)		0
44.3 Transferred to surplus		0
45. Surplus adjustments:		
45.1 Paid in	0	0
45.2 Transferred to capital (Stock Dividend)	0	0
45.3 Transferred from capital		0
46. Dividends to stockholders		0
47. Aggregate write-ins for gains or (losses) in surplus	34,101	0
48. Net change in capital & surplus (Lines 34 to 47)	7,254,078	77,326,459
49. Capital and surplus end of reporting period (Line 33 plus 48)	406,675,383	399,421,305
DETAILS OF WRITE-INS		
4701. Other Adjustments.....	34,101	0
4702.		
4703.		
4798. Summary of remaining write-ins for Line 47 from overflow page	0	0
4799. Totals (Lines 4701 through 4703 plus 4798) (Line 47 above)	34,101	0

CASH FLOW

	1 Current Year	2 Prior Year
Cash from Operations		
1. Premiums collected net of reinsurance.....	1,744,411,000	1,589,102,033
2. Net investment income.....	25,883,000	21,802,004
3. Miscellaneous income.....	103,000	915,604
4. Total (Lines 1 through 3).....	1,770,397,000	1,611,819,641
5. Benefit and loss related payments.....	1,443,406,000	1,261,792,865
6. Net transfers to Separate Accounts, Segregated Accounts and Protected Cell Accounts.....		0
7. Commissions, expenses paid and aggregate write-ins for deductions.....	281,840,000	250,023,754
8. Dividends paid to policyholders.....		0
9. Federal and foreign income taxes paid (recovered) net of \$ (3,333,083) tax on capital gains (losses).....	(489,000)	15,283,604
10. Total (Lines 5 through 9).....	1,724,757,000	1,527,100,223
11. Net cash from operations (Line 4 minus Line 10).....	45,640,000	84,719,418
Cash from Investments		
12. Proceeds from investments sold, matured or repaid:		
12.1 Bonds.....	821,045,000	611,843,407
12.2 Stocks.....	36,088,000	55,627,260
12.3 Mortgage loans.....	0	0
12.4 Real estate.....	0	0
12.5 Other invested assets.....	0	0
12.6 Net gains or (losses) on cash, cash equivalents and short-term investments.....	0	19,567
12.7 Miscellaneous proceeds.....	0	2,738,905
12.8 Total investment proceeds (Lines 12.1 to 12.7).....	857,133,000	670,229,139
13. Cost of investments acquired (long-term only):		
13.1 Bonds.....	801,293,000	682,290,920
13.2 Stocks.....	72,323,000	47,485,430
13.3 Mortgage loans.....	0	0
13.4 Real estate.....	0	0
13.5 Other invested assets.....	0	0
13.6 Miscellaneous applications.....	0	2,676,334
13.7 Total investments acquired (Lines 13.1 to 13.6).....	873,616,000	732,452,684
14. Net increase (decrease) in contract loans and premium notes.....	0	0
15. Net cash from investments (Line 12.8 minus Line 13.7 minus Line 14).....	(16,483,000)	(62,223,545)
Cash from Financing and Miscellaneous Sources		
16. Cash provided (applied):		
16.1 Surplus notes, capital notes.....	0	0
16.2 Capital and paid in surplus, less treasury stock.....	0	0
16.3 Borrowed funds.....	0	0
16.4 Net deposits on deposit-type contracts and other insurance liabilities.....	0	0
16.5 Dividends to stockholders.....	0	0
16.6 Other cash provided (applied).....	(2,879,629)	(2,693,379)
17. Net cash from financing and miscellaneous sources (Lines 16.1 to 16.4 minus Line 16.5 plus Line 16.6).....	(2,879,629)	(2,693,379)
RECONCILIATION OF CASH, CASH EQUIVALENTS AND SHORT-TERM INVESTMENTS		
18. Net change in cash, cash equivalents and short-term investments (Line 11, plus Lines 15 and 17).....	26,277,371	19,802,494
19. Cash, cash equivalents and short-term investments:		
19.1 Beginning of year.....	52,886,279	33,083,785
19.2 End of year (Line 18 plus Line 19.1).....	79,163,650	52,886,279

ANNUAL STATEMENT FOR THE YEAR 2008 OF THE CareFirst BlueChoice, Inc.

ANALYSIS OF OPERATIONS BY LINES OF BUSINESS

	1	2	3	4	5	6	7	8	9	10
		Comprehensive (Hospital & Medical)	Medicare Supplement	Dental Only	Vision Only	Federal Employees Health Benefit Plan	Title XVIII Medicare	Title XIX Medicaid	Other Health	Other Non-Health
	Total									
1. Net premium income	1,743,313,552	1,646,178,572	0	21,198,613	0	75,936,367	0	0	0	0
2. Change in unearned premium reserves and reserve for rate credit	2,999,388	0				2,999,388				
3. Fee-for-service (net of \$										
medical expenses)	0									XXX
4. Risk revenue	102,827	102,827								XXX
5. Aggregate write-ins for other health care related revenues	0	0	0	0	0	0	0	0	0	XXX
6. Aggregate write-ins for other non-health care related revenues	0	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	0
7. Total revenues (Lines 1 to 6)	1,746,415,767	1,646,281,399	0	21,198,613	0	78,935,755	0	0	0	0
8. Hospital/medical/ benefits	1,093,734,283	1,037,057,051				56,677,232				XXX
9. Other professional services	27,194,897	17,025,043		9,239,402		930,452				XXX
10. Outside referrals	10,248,979	9,717,878				531,101				XXX
11. Emergency room and out-of-area	85,097,662	80,687,907				4,409,755				XXX
12. Prescription Drugs	241,417,493	228,907,256				12,510,237				XXX
13. Aggregate write-ins for other hospital and medical	0	0	0	0	0	0	0	0	0	XXX
14. Incentive pool, withhold adjustments and bonus amounts	0									XXX
15. Subtotal (Lines 8 to 14)	1,457,693,314	1,373,395,135	0	9,239,402	0	75,058,777	0	0	0	XXX
16. Net reinsurance recoveries	(4,776,439)			(4,776,439)						XXX
17. Total hospital and medical (Lines 15 minus 16)	1,462,469,753	1,373,395,135	0	14,015,841	0	75,058,777	0	0	0	XXX
18. Non-health claims (net)	0	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	0
19. Claims adjustment expenses including \$	13,306,285	49,732,647	0	3,305,878	455	1,745,963			(12,191)	
20. General administrative expenses	222,550,635	217,487,423		3,332,196	58,749	1,721,801			(49,534)	
21. Increase in reserves for accident and health contracts	0									XXX
22. Increase in reserves for life contracts	0	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	
23. Total underwriting deductions (Lines 17 to 22)	1,739,793,140	1,640,615,205	0	20,653,915	59,204	78,526,541	0	0	(61,725)	0
24. Net underwriting gain or (loss) (Line 7 minus Line 23)	6,622,627	5,666,194	0	544,698	(59,204)	409,214	0	0	61,725	0
DETAILS OF WRITE-INS										
0501.										XXX
0502.										XXX
0503.										XXX
0598. Summary of remaining write-ins for Line 5 from overflow page	0	0	0	0	0	0	0	0	0	XXX
0599. Totals (Lines 0501 through 0503 plus 0598) (Line 5 above)	0	0	0	0	0	0	0	0	0	XXX
0601.		XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	
0602.		XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	
0603.		XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	
0698. Summary of remaining write-ins for Line 6 from overflow page	0	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	0
0699. Totals (Lines 0601 through 0603 plus 0698) (Line 6 above)	0	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	0
1301.										XXX
1302.										XXX
1303.										XXX
1398. Summary of remaining write-ins for Line 13 from overflow page	0	0	0	0	0	0	0	0	0	XXX
1399. Totals (Lines 1301 through 1303 plus 1398) (Line 13 above)	0	0	0	0	0	0	0	0	0	XXX

UNDERWRITING AND INVESTMENT EXHIBIT
PART 1 - PREMIUMS

	1	2	3	4
Line of Business	Direct Business	Reinsurance Assumed	Reinsurance Ceded	Net Premium Income (Cols. 1+2-3)
1. Comprehensive (hospital and medical)	1,646,203,572		25,000	1,646,178,572
2. Medicare Supplement .....				.0
3. Dental Only.....	13,170,548	8,028,065		21,198,613
4. Vision Only.....				.0
5. Federal Employees Health Benefits Plan	75,936,367			75,936,367
6. Title XVIII - Medicare .....				.0
7. Title XIX - Medicaid.....				.0
8. Other health.....				.0
9. Health subtotal (Lines 1 through 8)	1,735,310,487	8,028,065	25,000	1,743,313,552
10. Life .....				.0
11. Property/casualty.....				.0
12. Totals (Lines 9 to 11)	1,735,310,487	8,028,065	25,000	1,743,313,552

STATEMENT AS OF ANNUAL STATEMENT FOR THE YEAR 2008 OF THE CareFirst BlueChoice, Inc.

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2 - Claims Incurred During the Year

	1	2	3	4	5	6	7	8	9	10
	Total	Comprehensive (Hospital & Medical)	Medicare Supplement	Dental Only	Vision Only	Federal Employees Health Benefits Plan	Title XVIII Medicare	Title XIX Medicaid	Other Health	Other Non-Health
1. Payments during the year:										
1.1 Direct	1,439,812,798	1,358,533,098		9,560,922		71,718,778				
1.2 Reinsurance assumed	4,541,464			4,541,464						
1.3 Reinsurance ceded	0									
1.4 Net	1,444,354,262	1,358,533,098	0	14,102,386	0	71,718,778	0	0	0	0
2. Paid medical incentive pools and bonuses	0									
3. Claim liability December 31, current year from Part 2A:										
3.1 Direct	148,986,805	140,303,499	0	433,306	0	8,250,000	0	0	0	0
3.2 Reinsurance assumed	234,975	0	0	234,975	0	0	0	0	0	0
3.3 Reinsurance ceded	0	0	0	0	0	0	0	0	0	0
3.4 Net	149,221,780	140,303,499	0	668,281	0	8,250,000	0	0	0	0
4. Claim reserve December 31, current year from Part 2D:										
4.1 Direct	0									
4.2 Reinsurance assumed	0									
4.3 Reinsurance ceded	0	0	0	0	0	0	0	0	0	
4.4 Net	0	0	0	0	0	0	0	0	0	0
5. Accrued medical incentive pools and bonuses, current year	0									
6. Net healthcare receivables (a)	7,824,400	7,824,400								
7. Amounts recoverable from reinsurers December 31, current year	0									
8. Claim liability December 31, prior year from Part 2A:										
8.1 Direct	123,281,887	117,617,061	0	754,826	0	4,910,000	0	0	0	0
8.2 Reinsurance assumed	0	0	0	0	0	0	0	0	0	0
8.3 Reinsurance ceded	0	0	0	0	0	0	0	0	0	0
8.4 Net	123,281,887	117,617,061	0	754,826	0	4,910,000	0	0	0	0
9. Claim reserve December 31, prior year from Part 2D:										
9.1 Direct	0	0	0	0	0	0	0	0	0	0
9.2 Reinsurance assumed	0	0	0	0	0	0	0	0	0	0
9.3 Reinsurance ceded	0	0	0	0	0	0	0	0	0	0
9.4 Net	0	0	0	0	0	0	0	0	0	0
10. Accrued medical incentive pools and bonuses, prior year	0	0	0	0	0	0	0	0	0	0
11. Amounts recoverable from reinsurers December 31, prior year	0	0	0	0	0	0	0	0	0	0
12. Incurred Benefits:										
12.1 Direct	1,457,693,316	1,373,395,136	0	9,239,402	0	75,058,778	0	0	0	0
12.2 Reinsurance assumed	4,776,439	0	0	4,776,439	0	0	0	0	0	0
12.3 Reinsurance ceded	0	0	0	0	0	0	0	0	0	0
12.4 Net	1,462,469,755	1,373,395,136	0	14,015,841	0	75,058,778	0	0	0	0
13. Incurred medical incentive pools and bonuses	0	0	0	0	0	0	0	0	0	0

(a) Excludes \$ loans or advances to providers not yet expensed.

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2A - Claims Liability End of Current Year

	1	2	3	4	5	6	7	8	9	10
	Total	Comprehensive (Hospital & Medical)	Medicare Supplement	Dental Only	Vision Only	Federal Employees Health Benefits Plan Premium	Title XVIII Medicare	Title XIX Medicaid	Other Health	Other Non-Health
1. Reported in Process of Adjustment:										
1.1. Direct	17,675,154	16,618,794		79,157		977,203				
1.2. Reinsurance assumed	0									
1.3. Reinsurance ceded	0									
1.4. Net	17,675,154	16,618,794	0	79,157	0	977,203	0	0	0	0
2. Incurred but Unreported:										
2.1. Direct	131,311,651	123,684,705		354,149		7,272,797				
2.2. Reinsurance assumed	234,975			234,975						
2.3. Reinsurance ceded	0									
2.4. Net	131,546,626	123,684,705	0	589,124	0	7,272,797	0	0	0	0
3. Amounts Withheld from Paid Claims and Capitations:										
3.1. Direct	0									
3.2. Reinsurance assumed	0									
3.3. Reinsurance ceded	0									
3.4. Net	0	0	0	0	0	0	0	0	0	0
4. TOTALS:										
4.1. Direct	148,986,805	140,303,499	0	433,306	0	8,250,000	0	0	0	0
4.2. Reinsurance assumed	234,975	0	0	234,975	0	0	0	0	0	0
4.3. Reinsurance ceded	0	0	0	0	0	0	0	0	0	0
4.4. Net	149,221,780	140,303,499	0	668,281	0	8,250,000	0	0	0	0

UNDERWRITING AND INVESTMENT EXHIBIT
PART 2B - ANALYSIS OF CLAIMS UNPAID - PRIOR YEAR - NET OF REINSURANCE

Line of Business	Claims Paid During the Year		Claim Reserve and Claim Liability Dec. 31 of Current Year		5 Claims Incurred in Prior Years (Columns 1 + 3)	6 Estimated Claim Reserve and Claim Liability December 31 of Prior Year
	1 On Claims Incurred Prior to January 1 of Current Year	2 On Claims Incurred During the Year	3 On Claims Unpaid December 31 of Prior Year	4 On Claims Incurred During the Year		
1. Comprehensive (hospital and medical)	111,300,842	1,247,232,256	3,113,280	137,190,219	114,414,122	117,617,061
2. Medicare Supplement .....					.0	.0
3. Dental Only.....	705,683	13,396,703	145	668,136	705,828	754,826
4. Vision Only.....					.0	.0
5. Federal Employees Health Benefits Plan Premiums	5,152,359	66,566,419	74,300	8,175,700	5,226,659	4,910,000
6. Title XVIII - Medicare .....					.0	.0
7. Title XIX - Medicaid.....					.0	.0
8. Other health .....					.0	.0
9. Health subtotal (Lines 1 to 8).....	117,158,884	1,327,195,378	3,187,725	146,034,055	120,346,609	123,281,887
10. Healthcare receivables (a).....		7,824,400			.0	
11. Other non-health.....					.0	.0
12. Medical incentive pools and bonus amounts .....					.0	.0
13. Totals (Lines 9 - 10 + 11 + 12)	117,158,884	1,319,370,978	3,187,725	146,034,055	120,346,609	123,281,887

(a) Excludes \$ 40,638,200 loans or advances to providers not yet expensed.

UNDERWRITING AND INVESTMENT EXHIBIT
PART 2C - DEVELOPMENT OF PAID AND INCURRED HEALTH CLAIMS
(000 Omitted)

Section A – Paid Health Claims - Hospital and Medical

Year in Which Losses Were Incurred	Cumulative Net Amounts Paid				
	1 2004	2 2005	3 2006	4 2007	5 2008
1. Prior	1,162,900	1,165,915	1,165,478	1,165,540	1,165,562
2. 2004	704,493	777,436	778,405	778,578	778,654
3. 2005	XXX	914,623	1,016,561	1,017,997	1,018,981
4. 2006	XXX	XXX	969,395	1,059,988	1,062,707
5. 2007	XXX	XXX	XXX	1,094,900	1,202,400
6. 2008	XXX	XXX	XXX	XXX	1,239,408

Section B – Incurred Health Claims - Hospital and Medical

Year in Which Losses Were Incurred	Sum of Cumulative Net Amount Paid and Claim Liability, Claim Reserve and Medical Incentive Pool and Bonuses Outstanding at End of Year				
	1 2004	2 2005	3 2006	4 2007	5 2008
1. Prior	1,164,145	1,165,466	1,165,477	1,165,540	1,165,562
2. 2004	794,244	778,506	778,405	778,578	778,654
3. 2005	XXX	1,029,827	1,017,938	1,017,997	1,018,981
4. 2006	XXX	XXX	1,082,953	1,060,943	1,062,707
5. 2007	XXX	XXX	XXX	1,211,561	1,205,513
6. 2008	XXX	XXX	XXX	XXX	1,376,598

Section C – Incurred Year Health Claims and Claims Adjustment Expense Ratio – Hospital and Medical

Years in which Premiums were Earned and Claims were Incurred	1 Premiums Earned	2 Claims Payments	3 Claim Adjustment Expense Payments	4 Col. (3/2) Percent	5 Claim and Claim Adjustment Expense Payments (Col. 2+3)	6 Col. (5/1) Percent	7 Claims Unpaid	8 Unpaid Claims Adjustment Expenses	9 Total Claims and Claims Adjustment Expense Incurred (Col. 5+7+8)	10 Col. (9/1) Percent
1. 2004.....	1,013,693	778,654	34,900	4.5	813,554	80.3			813,554	80.3
2. 2005.....	1,246,442	1,018,981	35,932	3.5	1,054,913	84.6			1,054,913	84.6
3. 2006.....	1,349,816	1,062,707	34,782	3.3	1,097,489	81.3			1,097,489	81.3
4. 2007.....	1,508,042	1,202,400	44,913	3.7	1,247,313	82.7	3,113	114	1,250,540	82.9
5. 2008	1,649,178	1,239,408	45,438	3.7	1,284,846	77.9	137,190	4,871	1,426,907	86.5

UNDERWRITING AND INVESTMENT EXHIBIT
PART 2C - DEVELOPMENT OF PAID AND INCURRED HEALTH CLAIMS
(000 Omitted)

Section A – Paid Health Claims - Dental Only

Year in Which Losses Were Incurred	Cumulative Net Amounts Paid				
	1 2004	2 2005	3 2006	4 2007	5 2008
1. Prior .....	.0	.0	.1	.1	.1
2. 2004 .....	.0	.0	.4	.4	.4
3. 2005	XXX	.0	534	538	573
4. 2006	XXX	XXX	7,094	7,763	7,800
5. 2007	XXX	XXX	XXX	15,049	15,683
6. 2008	XXX	XXX	XXX	XXX	13,397

Section B – Incurred Health Claims - Dental Only

Year in Which Losses Were Incurred	Sum of Cumulative Net Amount Paid and Claim Liability, Claim Reserve and Medical Incentive Pool and Bonuses Outstanding at End of Year				
	1 2004	2 2005	3 2006	4 2007	5 2008
1. Prior .....			.1	.1	.1
2. 2004 .....			.4	.4	.4
3. 2005	XXX		536	538	573
4. 2006	XXX	XXX	7,642	7,766	7,800
5. 2007	XXX	XXX	XXX	15,800	15,683
6. 2008	XXX	XXX	XXX	XXX	14,065

Section C – Incurred Year Health Claims and Claims Adjustment Expense Ratio – Dental Only

Years in which Premiums were Earned and Claims were Incurred	1 Premiums Earned	2 Claims Payments	3 Claim Adjustment Expense Payments	4 Col. (3/2) Percent	5 Claim and Claim Adjustment Expense Payments (Col. 2+3)	6 Col. (5/1) Percent	7 Claims Unpaid	8 Unpaid Claims Adjustment Expenses	9 Total Claims and Claims Adjustment Expense Incurred (Col. 5+7+8)	10 Col. (9/1) Percent
1. 2004.....	.0	.4	.0	.0	.4	.0			.4	.0
2. 2005.....	.0	573	19	3.3	592	.0			592	.0
3. 2006.....	10,720	7,800	255	3.3	8,055	75.1			8,055	75.1
4. 2007.....	22,521	15,683	585	3.7	16,268	72.2			16,268	72.2
5. 2008	21,199	13,397	3,020	22.5	16,417	77.4	668	324	17,409	82.1

UNDERWRITING AND INVESTMENT EXHIBIT
PART 2C - DEVELOPMENT OF PAID AND INCURRED HEALTH CLAIMS
(000 Omitted)

Section A – Paid Health Claims - Federal Employees Health Benefits Plan Premium

Year in Which Losses Were Incurred	Cumulative Net Amounts Paid				
	1 2004	2 2005	3 2006	4 2007	5 2008
1. Prior	105,216	105,285	105,234	105,233	105,233
2. 2004	29,803	32,833	32,827	32,851	32,848
3. 2005	XXX	33,326	36,347	36,383	36,417
4. 2006	XXX	XXX	37,589	41,533	41,667
5. 2007	XXX	XXX	XXX	49,355	54,344
6. 2008	XXX	XXX	XXX	XXX	66,566

Section B - Incurred Health Claims - Federal Employees Health Benefits Plan Premium

Year in Which Losses Were Incurred	Sum of Cumulative Net Amount Paid and Claim Liability, Claim Reserve and Medical Incentive Pool and Bonuses Outstanding at End of Year				
	1 2004	2 2005	3 2006	4 2007	5 2008
1. Prior	105,257	105,285	105,235	105,233	105,233
2. 2004	33,068	32,853	32,827	32,851	32,848
3. 2005	XXX	36,921	36,367	36,383	36,417
4. 2006	XXX	XXX	42,029	41,561	41,667
5. 2007	XXX	XXX	XXX	54,236	54,418
6. 2008	XXX	XXX	XXX	XXX	74,742

Section C – Incurred Year Health Claims and Claims Adjustment Expense Ratio – Federal Employees Health Benefits Plan Premium

Years in which Premiums were Earned and Claims were Incurred	1 Premiums Earned	2 Claims Payments	3 Claim Adjustment Expense Payments	4 Col. (3/2) Percent	5 Claim and Claim Adjustment Expense Payments (Col. 2+3)	6 Col. (5/1) Percent	7 Claims Unpaid	8 Unpaid Claims Adjustment Expenses	9 Total Claims and Claims Adjustment Expense Incurred (Col. 5+7+8)	10 Col. (9/1) Percent
1. 2004.....	30,238	32,848	1,472	4.5	34,320	113.5			34,320	113.5
2. 2005.....	38,784	36,417	1,284	3.5	37,701	97.2			37,701	97.2
3. 2006.....	43,519	41,667	1,364	3.3	43,031	98.9			43,031	98.9
4. 2007.....	57,154	54,344	2,030	3.7	56,374	98.6	74	3	56,451	98.8
5. 2008	78,936	66,566	1,595	2.4	68,161	86.3	8,176	171	76,508	96.9

UNDERWRITING AND INVESTMENT EXHIBIT
PART 2C - DEVELOPMENT OF PAID AND INCURRED HEALTH CLAIMS
(000 Omitted)

Section A - Paid Health Claims - Medicare

Year in Which Losses Were Incurred	Cumulative Net Amounts Paid				
	1 2004	2 2005	3 2006	4 2007	5 2008
1. Prior .....	.0	.0	.0	.0	
2. 2004	(11)	(11)	(11)	(11)	(11)
3. 2005	XXX	.0	.0	.0	
4. 2006	XXX	XXX	.0	.0	
5. 2007	XXX	XXX	XXX	.0	
6. 2008	XXX	XXX	XXX	XXX	

Section B - Incurred Health Claims - Medicare

Year in Which Losses Were Incurred	Sum of Cumulative Net Amount Paid and Claim Liability, Claim Reserve and Medical Incentive Pool and Bonuses Outstanding at End of Year				
	1 2004	2 2005	3 2006	4 2007	5 2008
1. Prior					
2. 2004		(11)	(11)	(11)	(11)
3. 2005	XXX				
4. 2006	XXX	XXX			
5. 2007	XXX	XXX	XXX		
6. 2008	XXX	XXX	XXX	XXX	

Section C – Incurred Year Health Claims and Claims Adjustment Expense Ratio – Medicare

Years in which Premiums were Earned and Claims were Incurred	1 Premiums Earned	2 Claims Payments	3 Claim Adjustment Expense Payments	4 Col. (3/2) Percent	5 Claim and Claim Adjustment Expense Payments (Col. 2+3)	6 Col. (5/1) Percent	7 Claims Unpaid	8 Unpaid Claims Adjustment Expenses	9 Total Claims and Claims Adjustment Expense Incurred (Col. 5+7+8)	10 Col. (9/1) Percent
1. 2004.....	.0	(11)		.0	(11)	.0			(11)	.0
2. 2005.....	.0	.0		.0	.0	.0			.0	.0
3. 2006.....	.0	.0	.0	.0	.0	.0			.0	.0
4. 2007.....	.0	.0		.0	.0	.0			.0	.0
5. 2008		0		0.0	0	0.0			0	0.0

UNDERWRITING AND INVESTMENT EXHIBIT
PART 2C - DEVELOPMENT OF PAID AND INCURRED HEALTH CLAIMS
(000 Omitted)

Section A - Paid Health Claims - Title XIX Medicaid

Year in Which Losses Were Incurred	Cumulative Net Amounts Paid				
	1 2004	2 2005	3 2006	4 2007	5 2008
1. Prior	2,058	2,058	2,058	2,058	2,058
2. 2004	(32)	(32)	(32)	(32)	(32)
3. 2005	XXX	.0	.0	.0	
4. 2006	XXX	XXX	.0	.0	
5. 2007	XXX	XXX	XXX	.0	
6. 2008	XXX	XXX	XXX	XXX	

Section B – Incurred Health Claims - Title XIX Medicaid

Year in Which Losses Were Incurred	Sum of Cumulative Net Amount Paid and Claim Liability, Claim Reserve and Medical Incentive Pool and Bonuses Outstanding at End of Year				
	1 2004	2 2005	3 2006	4 2007	5 2008
1. Prior	2,058	2,058	2,058	2,058	2,058
2. 2004	(32)	(32)	(32)	(32)	(32)
3. 2005	XXX				
4. 2006	XXX	XXX			
5. 2007	XXX	XXX	XXX		
6. 2008	XXX	XXX	XXX	XXX	

Section C – Incurred Year Health Claims and Claims Adjustment Expense Ratio – Title XIX Medicaid

Years in which Premiums were Earned and Claims were Incurred	1 Premiums Earned	2 Claims Payments	3 Claim Adjustment Expense Payments	4 Col. (3/2) Percent	5 Claim and Claim Adjustment Expense Payments (Col. 2+3)	6 Col. (5/1) Percent	7 Claims Unpaid	8 Unpaid Claims Adjustment Expenses	9 Total Claims and Claims Adjustment Expense Incurred (Col. 5+7+8)	10 Col. (9/1) Percent
1. 2004.....	.0	(32)		.0	(32)	.0			(32)	.0
2. 2005.....	.0	.0		.0	.0	.0			.0	.0
3. 2006.....	.0	.0		.0	.0	.0			.0	.0
4. 2007.....	.0	.0		.0	.0	.0			.0	.0
5. 2008		0	0	0.0	0	0.0		0	0	0.0

UNDERWRITING AND INVESTMENT EXHIBIT
PART 2C - DEVELOPMENT OF PAID AND INCURRED HEALTH CLAIMS
(000 Omitted)

Section A - Paid Health Claims - Other

Year in Which Losses Were Incurred	Cumulative Net Amounts Paid				
	1 2004	2 2005	3 2006	4 2007	5 2008
1. Prior	444	.0	.0	.0	
2. 2004 .....	.0	193	.0	.0	
3. 2005	XXX	.0	.0	.0	
4. 2006	XXX	XXX	.0	.0	
5. 2007	XXX	XXX	XXX	.0	
6. 2008	XXX	XXX	XXX	XXX	

Section B – Incurred Health Claims - Other

Year in Which Losses Were Incurred	Sum of Cumulative Net Amount Paid and Claim Liability, Claim Reserve and Medical Incentive Pool and Bonuses Outstanding at End of Year				
	1	2	3	4	5
1. Prior					
2.					
3.	XXX				
4.	XXX	XXX			
5.	XXX	XXX	XXX		
6.	XXX	XXX	XXX	XXX	

Section C – Incurred Year Health Claims and Claims Adjustment Expense Ratio – Other

Years in which Premiums were Earned and Claims were Incurred	1 Premiums Earned	2 Claims Payments	3 Claim Adjustment Expense Payments	4 Col. (3/2) Percent	5 Claim and Claim Adjustment Expense Payments (Col. 2+3)	6 Col. (5/1) Percent	7 Claims Unpaid	8 Unpaid Claims Adjustment Expenses	9 Total Claims and Claims Adjustment Expense Incurred (Col. 5+7+8)	10 Col. (9/1) Percent
1. 2004	164	.0		.0	.0	.0			.0	.0
2. 2005 .....	.0	.0		.0	.0	.0			.0	.0
3. 2006 .....	.0	.0		.0	.0	.0			.0	.0
4. 2007 .....	.0	.0		.0	.0	.0			.0	.0
5. 2008		0	(11)	0.0	(11)	0.0		(1)	(12)	0.0

UNDERWRITING AND INVESTMENT EXHIBIT
PART 2C - DEVELOPMENT OF PAID AND INCURRED HEALTH CLAIMS
(000 Omitted)

Section A - Paid Health Claims - Grand Total

Year in Which Losses Were Incurred	Cumulative Net Amounts Paid				
	1 2004	2 2005	3 2006	4 2007	5 2008
1. Prior	1,270,618	1,273,258	1,272,771	1,272,832	1,272,854
2. 2004	734,253	810,419	811,193	811,390	811,463
3. 2005	XXX	947,949	1,053,442	1,054,918	1,055,971
4. 2006	XXX	XXX	1,014,078	1,109,284	1,112,174
5. 2007	XXX	XXX	XXX	1,159,304	1,272,427
6. 2008	XXX	XXX	XXX	XXX	1,319,371

Section B - Incurred Health Claims - Grand Total

Year in Which Losses Were Incurred	Sum of Cumulative Net Amount Paid and Claim Liability, Claim Reserve and Medical Incentive Pool and Bonuses Outstanding at End of Year				
	1 2004	2 2005	3 2006	4 2007	5 2008
1. Prior	1,271,460	1,272,809	1,272,771	1,272,832	1,272,854
2. 2004	827,280	811,316	811,193	811,390	811,463
3. 2005	XXX	1,066,748	1,054,841	1,054,918	1,055,971
4. 2006	XXX	XXX	1,132,624	1,110,270	1,112,174
5. 2007	XXX	XXX	XXX	1,281,597	1,275,614
6. 2008	XXX	XXX	XXX	XXX	1,465,405

Section C – Incurred Year Health Claims and Claims Adjustment Expense Ratio – Grand Total

Years in which Premiums were Earned and Claims were Incurred	1 Premiums Earned	2 Claims Payments	3 Claim Adjustment Expense Payments	4 Col. (3/2) Percent	5 Claim and Claim Adjustment Expense Payments (Col. 2+3)	6 Col. (5/1) Percent	7 Claims Unpaid	8 Unpaid Claims Adjustment Expenses	9 Total Claims and Claims Adjustment Expense Incurred (Col. 5+7+8)	10 Col. (9/1) Percent
1. 2004	1,044,095	811,463	36,372	4.5	847,835	81.2	.0	.0	847,835	81.2
2. 2005	1,285,226	1,055,971	37,235	3.5	1,093,206	85.1	.0	.0	1,093,206	85.1
3. 2006	1,404,055	1,112,174	36,401	3.3	1,148,575	81.8	.0	.0	1,148,575	81.8
4. 2007	1,587,717	1,272,427	47,528	3.7	1,319,955	83.1	3,187	117	1,323,259	83.3
5. 2008	1,749,313	1,319,371	50,042	3.8	1,369,413	78.3	146,034	5,365	1,520,812	86.9

UNDERWRITING AND INVESTMENT EXHIBIT
PART 2D - AGGREGATE RESERVE FOR ACCIDENT AND HEALTH CONTRACTS ONLY

	1	2	3	4	5	6	7	8	9
	Total	Comprehensive (Hospital & Medical)	Medicare Supplement	Dental Only	Vision Only	Federal Employees Health Benefit Plan	Title XVIII Medicare	Title XIX Medicaid	Other
1. Unearned premium reserves .....	.0								
2. Additional policy reserves (a) .....	.0								
3. Reserve for future contingent benefits .....	.0								
4. Reserve for rate credits or experience rating refunds (including \$ for investment income)	12,623,584	.0				12,623,584			
5. Aggregate write-ins for other policy reserves .....	.0	.0	.0	.0	.0	.0	.0	.0	.0
6. Totals (Gross)	12,623,584	.0	.0	.0	.0	12,623,584	.0	.0	.0
7. Reinsurance ceded .....	.0								
8. Totals (Net) (Page 3, Line 4)	12,623,584	.0	.0	.0	.0	12,623,584	.0	.0	.0
9. Present value of amounts not yet due on claims .....	.0								
10. Reserve for future contingent benefits .....	.0								
11. Aggregate write-ins for other claim reserves .....	.0	.0	.0	.0	.0	.0	.0	.0	.0
12. Totals (Gross) .....	.0	.0	.0	.0	.0	.0	.0	.0	.0
13. Reinsurance ceded .....	.0								
14. Totals (Net) (Page 3, Line 7)	0	0	0	0	0	0	0	0	0
DETAILS OF WRITE-INS									
0501.									
0502.									
0503.									
0598. Summary of remaining write-ins for Line 5 from overflow page .....	.0	.0	.0	.0	.0	.0	.0	.0	.0
0599. TOTALS (Lines 0501 through 0503 plus 0598) (Line 5 above)	0	0	0	0	0	0	0	0	0
1101.									
1102.									
1103.									
1198. Summary of remaining write-ins for Line 11 from overflow page .....	.0	.0	.0	.0	.0	.0	.0	.0	.0
1199. TOTALS (Lines 1101 through 1103 plus 1198) (Line 11 above) .....	.0	.0	.0	.0	.0	.0	.0	.0	.0

(a) Includes \$ premium deficiency reserve.

UNDERWRITING AND INVESTMENT EXHIBIT
PART 3 - ANALYSIS OF EXPENSES

	Claim Adjustment Expenses		3 General Administrative Expenses	4 Investment Expenses	5 Total
	1 Cost Containment Expenses	2 Other Claim Adjustment Expenses			
1. Rent (\$for occupancy of own building).....	1,167,849	2,838,441	4,008,424		8,014,714
2. Salaries, wages and other benefits.....	8,048,776	22,368,162	29,897,028		60,313,966
3. Commissions (less \$ceded plus \$assumed.....			119,176,882		119,176,882
4. Legal fees and expenses.....	1	5,176	1,047,890		1,053,067
5. Certifications and accreditation fees.....					0
6. Auditing, actuarial and other consulting services.....	60,612	35,827	1,610,159		1,706,598
7. Traveling expenses.....	87,784	234,458	914,627		1,236,869
8. Marketing and advertising.....			431,709		431,709
9. Postage, express and telephone.....	144,199	2,113,200	2,519,174		4,776,573
10. Printing and office supplies.....	90,807	971,927	1,295,645		2,358,379
11. Occupancy, depreciation and amortization.....					0
12. Equipment.....	6,650	140,452	1,665,577		1,812,679
13. Cost or depreciation of EDP equipment and software.....	744,401	1,940,617	12,766,446		15,451,464
14. Outsourced services including EDP, claims, and other services.....	2,317,686	8,385,672	14,083,155		24,786,513
15. Boards, bureaus and association fees.....	29,049	8,839	740,917		778,805
16. Insurance, except on real estate.....	104,849	325,196	347,474		777,519
17. Collection and bank service charges.....	1,584	31,221	202,377		235,182
18. Group service and administration fees.....			0		0
19. Reimbursements by uninsured plans.....	(2,962)	(9,229)	(49,534)		(61,725)
20. Reimbursements from fiscal intermediaries.....					0
21. Real estate expenses.....					0
22. Real estate taxes.....			125,762		125,762
23. Taxes, licenses and fees:					
23.1 State and local insurance taxes.....					0
23.2 State premium taxes.....			26,148,427		26,148,427
23.3 Regulatory authority licenses and fees.....	3,764	8	2,443,245		2,447,017
23.4 Payroll taxes.....	506,042	1,312,745	1,634,484		3,453,271
23.5 Other (excluding federal income and real estate taxes).....	5,532	20,081	(573,533)		(547,920)
24. Investment expenses not included elsewhere.....				432,233	432,233
25. Aggregate write-ins for expenses.....	(10,338)	743,673	2,114,301	0	2,847,636
26. Total expenses incurred (Lines 1 to 25).....	13,306,285	41,466,466	222,550,636	432,233	(a).....277,755,620
27. Less expenses unpaid December 31, current year.....		5,482,000	23,316,789		28,798,789
28. Add expenses unpaid December 31, prior year.....	0	5,195,000	23,976,948	0	29,171,948
29. Amounts receivable relating to uninsured plans, prior year.....	0	0	0	0	0
30. Amounts receivable relating to uninsured plans, current year.....					0
31. Total expenses paid (Lines 26 minus 27 plus 28 minus 29 plus 30)	13,306,285	41,179,466	223,210,795	432,233	278,128,779
DETAIL OF WRITE-INS					
2501. Charitable Contributions.....	113	17	36,533		36,663
2502. Service charges Inter-plan bank.....	5	91,035	14,823		105,863
2503. IPSBB Inter-plan bank ITS.....		841,910	(17)		841,893
2598. Summary of remaining write-ins for Line 25 from overflow page.....	(10,456)	(189,289)	2,062,962	0	1,863,217
2599. Totals (Line 2501 through 2503 plus 2598)(Line 25 above)	(10,338)	743,673	2,114,301	0	2,847,636

(a) Includes management fees of \$129,488,643 to affiliates and \$to non-affiliates.

EXHIBIT OF NET INVESTMENT INCOME

	1 Collected During Year	2 Earned During Year
1. U.S. Government bonds	(a) .....4,654,850	.....3,623,569
1.1 Bonds exempt from U.S. tax	(a) .....	.....
1.2 Other bonds (unaffiliated)	(a) .....16,942,137	.....17,201,426
1.3 Bonds of affiliates	(a) .....0	.....
2.1 Preferred stocks (unaffiliated)	(b) .....312,368	.....306,493
2.11 Preferred stocks of affiliates	(b) .....0	.....
2.2 Common stocks (unaffiliated) .....	.....2,222,822	.....2,222,821
2.21 Common stocks of affiliates .....	.....0	.....
3. Mortgage loans	(c) .....	.....
4. Real estate	(d) .....	.....
5. Contract loans.....	.....	.....
6. Cash, cash equivalents and short-term investments	(e) .....1,071,312	.....1,050,572
7. Derivative instruments	(f) .....	.....
8. Other invested assets .....	.....	.....467,947
9. Aggregate write-ins for investment income .....	.....0	.....393,609
10. Total gross investment income	25,203,489	25,266,437
11. Investment expenses		(g) .....432,233
12. Investment taxes, licenses and fees, excluding federal income taxes		(g)
13. Interest expense		(h)
14. Depreciation on real estate and other invested assets		(i)
15. Aggregate write-ins for deductions from investment income .....		.....0
16. Total deductions (Lines 11 through 15) .....		.....432,233
17. Net investment income (Line 10 minus Line 16)		24,834,204
DETAILS OF WRITE-INS		
0901. Interest Income - Miscellaneous.....	.....	.....5,074
0902. Security lending income.....	.....	.....416,012
0903. Miscellaneous Expense .....	.....	.....(27,477)
0998. Summary of remaining write-ins for Line 9 from overflow page .....	.....0	.....0
0999. Totals (Lines 0901 through 0903) plus 0998 (Line 9, above)	0	393,609
1501.		
1502.		
1503.		
1598. Summary of remaining write-ins for Line 15 from overflow page .....		.....0
1599. Totals (Lines 1501 through 1503) plus 1598 (Line 15, above)		0

(a) Includes \$(171,643) accrual of discount less \$87,900 amortization of premium and less \$7,009,628 paid for accrued interest on purchases.
(b) Includes \$5,882 accrual of discount less \$(8) amortization of premium and less \$0 paid for accrued dividends on purchases.
(c) Includes \$0 accrual of discount less \$0 amortization of premium and less \$ paid for accrued interest on purchases.
(d) Includes \$ for company's occupancy of its own buildings; and excludes \$ interest on encumbrances.
(e) Includes \$ accrual of discount less \$ amortization of premium and less \$ paid for accrued interest on purchases.
(f) Includes \$ accrual of discount less \$ amortization of premium.
(g) Includes \$ investment expenses and \$ investment taxes, licenses and fees, excluding federal income taxes, attributable to segregated and Separate Accounts.
(h) Includes \$ interest on surplus notes and \$ interest on capital notes.
(i) Includes \$ depreciation on real estate and \$ depreciation on other invested assets.

EXHIBIT OF CAPITAL GAINS (LOSSES)

	1 Realized Gain (Loss) On Sales or Maturity	2 Other Realized Adjustments	3 Total Realized Capital Gain (Loss) (Columns 1 + 2)	4 Change in Unrealized Capital Gain (Loss)	5. Change in Unrealized Foreign Exchange Capital Gain (Loss)
1. U.S. Government bonds	4,491,158		4,491,158	(1,651,861)	
1.1 Bonds exempt from U.S. tax			0		
1.2 Other bonds (unaffiliated)	(243,289)	(6,450,000)	(6,693,289)		
1.3 Bonds of affiliates	0	0	0	0	0
2.1 Preferred stocks (unaffiliated)	70,756	(1,704,909)	(1,634,153)	(811,657)	0
2.11 Preferred stocks of affiliates	0	0	0	0	0
2.2 Common stocks (unaffiliated)	4,136,520	(16,966,091)	(12,829,571)	(9,645,085)	(224,422)
2.21 Common stocks of affiliates	0	0	0	(1,029,809)	0
3. Mortgage loans	0	0	0	0	0
4. Real estate	0	0	0		0
5. Contract loans			0		
6. Cash, cash equivalents and short-term investments			0		
7. Derivative instruments			0		
8. Other invested assets	0	0	0	0	0
9. Aggregate write-ins for capital gains (losses)	0	0	0	0	0
10. Total capital gains (losses)	8,455,145	(25,121,000)	(16,665,855)	(13,138,412)	(224,422)
DETAILS OF WRITE-INS					
0901.					
0902.					
0903.					
0998. Summary of remaining write-ins for Line 9 from overflow page	0	0	0	0	0
0999. Totals (Lines 0901 through 0903) plus 0998 (Line 9, above)	0	0	0	0	0

EXHIBIT OF NONADMITTED ASSETS

	1	2	3
	Current Year Total Nonadmitted Assets	Prior Year Nonadmitted Assets	Change in Total Nonadmitted Assets (Col. 2 - Col. 1)
1. Bonds (Schedule D).....	0	0	0
2. Stocks (Schedule D):			
2.1 Preferred stocks	0	0	0
2.2 Common stocks	0	0	0
3. Mortgage loans on real estate (Schedule B):			
3.1 First liens	0	0	0
3.2 Other than first liens	0	0	0
4. Real estate (Schedule A):			
4.1 Properties occupied by the company	0	0	0
4.2 Properties held for the production of income.....	0	0	0
4.3 Properties held for sale	0	0	0
5. Cash (Schedule-E Part 1), cash equivalents (Schedule-E Part 2) and short-term investments (Schedule DA).....	0	0	0
6. Contract loans	0	0	0
7. Other invested assets (Schedule BA)	130,782	0	(130,782)
8. Receivables for securities	0	0	0
9. Aggregate write-ins for invested assets	0	0	0
10. Subtotals, cash and invested assets (Lines 1 to 9)	130,782	0	(130,782)
11. Title plants (for Title insurers only).....	0	0	0
12. Investment income due and accrued	0	0	0
13. Premiums and considerations:			
13.1 Uncollected premiums and agents' balances in the course of collection	122,714	374,119	251,405
13.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due.....	0	0	0
13.3 Accrued retrospective premiums.....	0	0	0
14. Reinsurance:			
14.1 Amounts recoverable from reinsurers	0	0	0
14.2 Funds held by or deposited with reinsured companies	0	0	0
14.3 Other amounts receivable under reinsurance contracts	0	0	0
15. Amounts receivable relating to uninsured plans	0	0	0
16.1 Current federal and foreign income tax recoverable and interest thereon	0	0	0
16.2 Net deferred tax asset.....	7,749,517	0	(7,749,517)
17. Guaranty funds receivable or on deposit	0	0	0
18. Electronic data processing equipment and software.....	0	0	0
19. Furniture and equipment, including health care delivery assets.....	0	0	0
20. Net adjustment in assets and liabilities due to foreign exchange rates	0	0	0
21. Receivables from parent, subsidiaries and affiliates	0	0	0
22. Health care and other amounts receivable.....	3,068,392	1,983,389	(1,085,003)
23. Aggregate write-ins for other than invested assets	1,078,538	831,618	(246,920)
24. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 10 to 23).....	12,149,943	3,189,126	(8,960,817)
25. From Separate Accounts, Segregated Accounts and Protected Cell Accounts.....	0	0	0
26. Total (Lines 24 and 25)	12,149,943	3,189,126	(8,960,817)
DETAILS OF WRITE-INS			
0901.			
0902.			
0903.			
0998. Summary of remaining write-ins for Line 9 from overflow page	0	0	0
0999. Totals (Lines 0901 through 0903 plus 0998)(Line 9 above)	0	0	0
2301. Other Assets Not Admitted-Prepaid Expenses.....	1,078,538	831,618	(246,920)
2302.			
2303.			
2398. Summary of remaining write-ins for Line 23 from overflow page	0	0	0
2399. Totals (Lines 2301 through 2303 plus 2398)(Line 23 above)	1,078,538	831,618	(246,920)

EXHIBIT 1 - ENROLLMENT BY PRODUCT TYPE FOR HEALTH BUSINESS ONLY

Source of Enrollment	Total Members at End of					6 Current Year Member Months
	1 Prior Year	2 First Quarter	3 Second Quarter	4 Third Quarter	5 Current Year	
1. Health Maintenance Organizations.....	604,189	597,218	501,108	505,302	505,521	6,313,072
2. Provider Service Organizations.....	.0					
3. Preferred Provider Organizations.....	203	416	436	431	421	5,079
4. Point of Service.....	52,169	54,680	55,842	58,307	60,446	680,878
5. Indemnity Only.....	62	45	78	92	49	874
6. Aggregate write-ins for other lines of business	0	0	0	0	0	0
7. Total	656,623	652,359	557,464	564,132	566,437	6,999,903
DETAILS OF WRITE-INS						
0601.						
0602.						
0603.						
0698. Summary of remaining write-ins for Line 6 from overflow page .....	.0	.0	.0	.0	.0	.0
0699. Totals (Lines 0601 through 0603 plus 0698) (Line 6 above)	0	0	0	0	0	0

NOTES TO FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

Accounting Practices

The financial statements of CareFirst BlueChoice, Inc. (the Company) are presented on the basis of accounting practices prescribed or permitted by the District of Columbia Department of Insurance, Securities and Banking (DISB).

The DISB recognizes only statutory accounting practices prescribed or permitted by the District of Columbia for determining and reporting the financial condition and results of operations of an insurance company, for determining its solvency under the District of Columbia Insurance Law. The National Association of Insurance Commissioners' (NAIC) *Accounting Practices and Procedures* manual (NAIC SAP) has been adopted as a component of prescribed or permitted practices by the District of Columbia. The Company does not utilize any permitted practices.

There were no differences between the DISB prescribed or permitted practices and the National Association of Insurance Commissioners accounting practices in 2008 and 2007.

Use of Estimates in the Preparation of the Financial Statements

The preparation of financial statements in conformity with statutory accounting practices requires management to make estimates and assumptions that affect the reported amounts of admitted assets, liabilities, revenues and expenses in the financial statements and in the disclosures of contingent assets and liabilities. While actual results could differ from those estimates, management believes that actual results will not be materially different from those amounts provided in the accompanying statutory basis financial statements.

Accounting Policy

Fair Value of Financial Instruments

The carrying of cash and short-term investments, stocks (other than investments in subsidiaries), uncollected premiums, federal income tax recoverable, receivables from parent, subsidiaries and affiliates, health care and other amounts receivable, other assets, aggregate health policy reserves, premiums received in advance, general expenses due or accrued, federal income tax payable, amounts due to parent, subsidiaries and affiliates, and other liabilities approximate fair value.

Investment securities are carried in accordance with valuation criteria established by the NAIC, i.e. stocks (other than investments in subsidiaries) are carried at market value and bonds at amortized cost. Adjustments reflecting the revaluation of stocks at the statement date are charged to Unassigned Funds (Surplus), unless the adjustments are losses deemed to be other than temporary.

The Company periodically evaluates whether any declines in the fair value of investments are other than temporary. This evaluation consists of a review of several factors, including but not limited to: length of time and extent that a security has been in an unrealized loss position; the existence of an event that would impair the issuer's future earnings potential; the near term prospects for recovery of the market value of a security; and the intent and ability of the Company to hold the security until the market value recovers. Declines in value below cost for debt securities where it is considered probable that all contractual terms of the security will be satisfied, the decline is due primarily to changes in interest rates (and not because of increased credit risk), and where the Company intends and has the ability to hold the investment for a period of time sufficient to allow a market recovery, are not assumed to be other than temporary. Declines in fair value below cost that are deemed to be other than temporary are recorded as realized losses and are included in investment gain, net in the accompanying statements of revenue and expenses – statutory basis. Based on its evaluation, the Company has recorded an other than temporary impairment of investments of \$25,121,000 and \$2,629,000 for the years ended December 31, 2008 and 2007, respectively.

Bonds

Bonds are carried at amortized cost, except in cases where NAIC designation requires them to be carried at lower of cost or fair value. The Company's policy is to recognize any realized gains or losses on a specific identification basis. Changes in admitted asset carrying amounts are charged directly to unassigned surplus, unless the changes are losses deemed to be other than temporary as described above.

Preferred Stocks

Preferred Stocks are carried at cost, except in cases where NAIC designation requires them to be carried at lower of cost or fair value. The Company's policy is to recognize any realized gains or losses on a specific identification basis.

Common Stocks

Common Stocks consist of mutual funds, investments in non-affiliated publicly traded companies and investments in subsidiaries valued in accordance with NAIC SAP. The Company's policy is to recognize any realized gains or losses on a specific identification basis.

Advances to Providers

The Company has advances on deposit with certain hospitals in the State of Maryland. These advances permit the Company to earn differentials of 2.25 and 2.00 percent of allowed inpatient and outpatient charges, respectively, by these hospitals. These provider advances are reported at their realizable value in the accompanying statements of admitted assets, liabilities, capital and surplus—statutory basis.

Unpaid losses and loss adjustment expenses

The liability for unpaid claims and claim adjustment expenses includes medical claims payable and the related accrued claims processing expenses. Unpaid claims are computed in accordance with generally accepted actuarial practices and are based upon authorized health care services and past claims payment experience, together with current factors which, in management's judgment, require recognition in the

NOTES TO FINANCIAL STATEMENTS

calculation. These estimates are periodically reviewed and any adjustments are reflected in current operations.

Revenue recognition

Revenues are recognized and earned on a monthly basis for the period the health care coverage is in effect. Premiums received in advance represent prepayments of premiums for future health care coverage.

Uncollected premiums primarily represent unpaid amounts earned from employer groups and individuals for health benefits. Provision is made for potential adjustments which arise as a result of a review by management or a third party.

Certain claim payments, premium rates, administrative expense reimbursements and provider discounts are subject to review and potential retroactive adjustment by third parties. Reserves are established for potential obligations arising from such reviews. Management believes that any potential claims will not be materially different from the amounts recorded in the accompanying statutory basis financial statements.

Claims Incurred

Claims incurred are recognized in the period in which members receive medical services. In addition to actual benefits paid, claims incurred include the impact of accruals for estimates of reported and unreported claims, which are unpaid as of the balance sheet date.

Federal Employee Health Benefits Program

The Company has an experience-rated HMO contract with the Office of Personnel Management (OPM) to provide managed health care services under the Federal Employee Health Benefits Program (FEHBP). OPM conducts periodic audits to verify compliance with FEHBP requirements.

The excess of gross premiums for the life of the program over the charges for the life of the program on an accrual basis is considered the special reserve under the contract between OPM and the Company. Each year, OPM also allocates additional funds to a contingency reserve, which may be utilized by the Company in the event that funds set aside from annual premiums are insufficient or fall below certain prescribed levels. OPM funds available to the Company are held at the U.S. Treasury, including amounts unused from prior periods. Any funds which remain unused upon termination of the contract, after the claims run-out and reimbursement of allowable administrative expenses, would be returned to OPM for the benefit of the FEHBP. The OPM contract renews automatically each year unless written notice of termination is given by either party.

In accordance with the contract, OPM holds the unused funds on behalf of the Company to provide funding for claims, administrative expenses, and other charges to the contract. The Company has an unrestricted right to draw funds being held in the special reserve for any valid claim or expense. The amounts being held in the special reserve are \$12,624,000 and \$15,623,000 as of December 31, 2008 and 2007, respectively. The unaudited amounts being held in the contingency reserve are \$26,067,000 and \$20,048,000 as of December 31, 2008 and 2007, respectively. If the balance of the special reserve is exhausted or falls below certain prescribed levels, OPM will transfer funds from the contingency reserve to the special reserve. Amounts incurred in excess of the total reserves held at the U.S Treasury for the FEBHP would not be reimbursed to the company.

The Company has recorded the amount of the special reserve being held by OPM as an asset, with an equivalent amount recorded as a rate stabilization reserve which are included in other health care and other amounts receivable and aggregate health policy reserves, respectively, in the accompanying balance sheets- statutory basis.

FEHBP premiums earned were \$78,936,00 and \$57,154,000 for the years ended December 31, 2008 and 2007, respectively.

2. Accounting Changes and Corrections of Errors

Not applicable.

3. Business Combinations and Goodwill

Not applicable.

4. Discontinued Operations:

Not applicable.

5. Investments

Loan-Backed Securities

The company records its investment in loan-backed securities using the prospective adjustment method. Payment assumptions for single and multi-class mortgage-backed/ assets-backed securities are obtained from broker survey values. The company uses IDC to determine the market value for such securities.

Repurchase Agreements

The Company has certain repurchase agreements which under Company policy require a minimum of 102% of the fair value of securities purchased under repurchase agreements be supported by collateral.

6. Joint Ventures, Partnerships and Limited Liability Companies

The Company has a direct investments in a limited partnership. The Company has no investments in Limited Partnership that exceed 10% of its admitted assets.

7. Investment Income

NOTES TO FINANCIAL STATEMENTS

- A. Investment income due and accrued is excluded from surplus when amounts are over 90 days past due or collection is uncertain.
- B. No amount of investment income due and accrued was non-admitted and excluded from surplus as of December 31, 2008.

8. Derivative Instruments

Not applicable.

9. Income Taxes

The components of the net deferred tax asset recognized in the Company’s Assets, Liabilities, and Capital and Surplus are as follows:

				Dec. 31, 2008	Dec. 31, 2007
Total of gross deferred tax assets				\$12,993,386	\$4,568,093
Total of deferred tax liabilities				(7,054)	(1,812,829)
Net deferred tax asset				12,986,332	2,755,264
Deferred tax asset nonadmitted				(7,749,517)	0
Net admitted deferred tax asset				5,236,815	2,755,264
(Increase) decrease in nonadmitted asset				\$(7,749,517)	\$0

The provisions for incurred taxes on earnings:

	Dec. 31, 2008	Dec. 31, 2007
Federal provision	\$(2,128,333)	\$21,718,326
Federal income tax on net capital gains(loss)	(3,333,082)	(76,904)
Federal income taxes incurred	\$(5,461,415)	\$21,641,422

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and deferred tax liabilities are as follows:

	Dec. 31, 2008	Dec. 31, 2007
Deferred tax assets:		
Accounts Receivable	1,564,038	275,035
Unpaid Claims	1,072,577	497,026
Investments	2,189,751	459,760
Accrued expenses	2,234,775	816,690
Unearned Revenue	3,242,649	1,883,757
Other	2,689,596	673,825
Total deferred tax assets	12,993,386	4,568,093
Nonadmitted deferred tax assets	(7,749,517)	0
Admitted deferred tax assets	5,243,869	4,568,093
Deferred tax liabilities:		
FAS 115	0	(1,808,306)
Other	(7,054)	(4,523)
Total deferred tax liabilities	(7,054)	(1,812,829)
Net Admitted deferred tax assets	\$5,236,815	\$2,755,264

The change in net deferred income taxes is comprised of the following:

				Dec. 31, 2008	Dec 31, 2007	Change
Total deferred tax assets				\$12,993,386	4,568,093	\$8,425,293
Total deferred tax liabilities				(7,054)	1,812,829	1,805,775
Net deferred tax asset(liability)				\$12,986,332	\$2,755,264	10,231,068

NOTES TO FINANCIAL STATEMENTS

Tax effect of unrealized gains(losses)				(4,313,981)
Change in net deferred income tax				\$5,917,087

The provision for federal income taxes incurred is different from that which would be obtained by applying the statutory Federal income tax rate to income before income taxes. The significant items causing this difference are as follows: principally as a result of mark-up for intercompany services, changes in tax contingency reserves and valuation allowance.

The Company is included in a consolidated federal income tax return of CareFirst, Inc. The Company has a written agreement, which sets forth the manner in which the total combined federal income tax is allocated to each entity, which is a party to the consolidation. The agreement calls for an allocation based on the Company's pre-tax income after affecting for permanent differences at the alternative minimum tax rates. The federal tax allocation for both 2008 and 2007 was 20 percent of pre-tax income after permanent differences. These amounts are included in provision for income taxes in the accompanying statements of revenue and expenses –statutory basis.

Pursuant to this agreement, the Company has the enforceable right to recoup federal income taxes paid in prior years in the event of future net losses, which it may incur, or to recoup its net losses carried forward as an offset to future net income subject to federal income taxes.

The Company files separate state income tax returns and records its tax provision or benefit accordingly. The Company recorded state income tax (benefit) expense of \$(705,529) and \$4,282,683 for the period ended December 31, 2008 and December 31, 2007, respectively.

10. Information Concerning Parent, Subsidiaries and Affiliates

CareFirst BlueChoice, Inc. (CFBC or the Company) is a state-licensed health maintenance organization (HMO) that provides managed health care products and services to individuals and to employees of business and governmental agencies in the Washington, D.C. metropolitan area and the State of Maryland. Benefits are provided to members through fee-for-service and capitation agreements with local area physicians, hospitals and other health care providers.

The Company is 60% owned by CareFirst of Maryland, Inc. (CFMI) and 40% owned by Group Hospitalization and Medical Services, Inc. (GHMSI). GHMSI and CFMI are both affiliates of a not-for-profit parent company, CareFirst, Inc. (CFI). These affiliates do business as CareFirst BlueCross BlueShield.

In 2005, the CFI Board also approved certain proposed changes regarding the governance structure of CFI, CFMI and GHMSI. In 2006, all required regulatory and BlueCross BlueShield Association (BCBSA) approvals were obtained to permit the restructuring that creates parity between CFMI and GHMSI, as to their representation on CFI's Board. Management believes that these changes did not materially impact CFI's control over CFMI or GHMSI.

On November 1, 2004, the Company completed its acquisition of The Dental Network, Inc. and TDN Administrative Services, LLC (collectively, TDN) which market and administer managed dental benefits. This transaction was accounted for as a statutory purchase. The purchase price and related acquisition costs of approximately \$5,000,000 exceeded TDN's book value by \$4,475,000. Under the statutory purchase method of accounting, the Company assigned this amount to goodwill. Effective June 20, 2007, one of the Company's subsidiaries, The Dental Network, Inc. (TDN), merged into the Company. This transaction was accounted for as a statutory merger under the guidance of NAIC SSAP No. 68, Business Combinations and Goodwill. Prior year balances have been restated as if the merger had occurred on January 1, 2006. As a result of the merger, the remaining goodwill in connection with the purchase of TDN was written off. Effective September 20, 2007, the Company formed a new subsidiary called The Dental Network, Inc. to meet the regulatory requirements of selling freestanding dental products in the State of Maryland. In March 2008, The Dental Network, Inc. obtained a license to sell insurance products in the state of Maryland from the Maryland Insurance Administration. Effective April 1, 2008, CFBC entered into a quota-share reinsurance agreement with The Dental Network, Inc. Under the terms of the agreement, CFBC assumes all the underwriting risk on the business written by The Dental Network, Inc.

The Company has an operating relationship with GHMSI and CFMI whereby GHMSI and CFMI provide a portion of its administrative and corporate services, for which expenses are allocated to the Company under a management agreement. Total charges for all services provided by GHMSI and CFMI were \$129,489,000 and \$115,115,000 during the years ended December 31, 2008 and 2007, respectively.

The Company has arrangements with brokers through GHMSI. Under these arrangements GHMSI pays broker commissions and incentives and allocates a portion of these amounts to the Company based upon relevant statistics. Total broker fees allocated to the Company were \$119,177,000 and \$105,778,000 for the years ended December 31, 2008 and 2007, respectively.

For certain fully insured point-of-service health care programs, the Company bears all of the in-network (HMO) underwriting risk and GHMSI bears the out-of-network (indemnity) underwriting risk. Cost of care for these products is charged directly to the Company and GHMSI based upon the nature of the claims incurred. Premiums on these health care programs are allocated between the Company and GHMSI based on actual underwriting results such that the underwriting gain of the health care programs, as a percentage of premiums, is shared equally between the two companies. Total premiums recorded by the Company for the programs were \$16,323,000 and \$14,649,000 for the years ended December 31, 2008 and 2007, respectively.

As of December 31, 2008, the Company reported \$12,038,000 and \$0 as amounts due from and due to affiliates, respectively. These amounts are settled monthly.

11. Debt

None.

12. Retirement Plans and Other Post-retirement Benefit Plans

Not applicable.

NOTES TO FINANCIAL STATEMENTS

13. Capital and Surplus, Shareholders' Dividend Restrictions and Quasi-Reorganizations

The Company has 25,000 shares authorized; 10,000 shares are issued and outstanding. The Company has no preferred stock outstanding.

The portion of unassigned funds represented by cumulative net unrealized gains is \$2,475,000.

14. Contingencies

The health care and health insurance industries are subject to numerous laws and regulations of federal, state and local governments. These laws and regulations include, but are not necessarily limited to, matters such as licensure, accreditation, government health care program participation requirements, reimbursement for patient services, and Medicare and Medicaid fraud and abuse. Government activity has increased with respect to investigations and allegations concerning possible violations of fraud and abuse statutes and regulations by health care insurers and providers. Violations of these laws and regulations could result in expulsion from government health care programs, together with the imposition of significant fines and penalties, as well as significant repayments for patient services previously billed. Management believes that the Company is in compliance with fraud and abuse, as well as other applicable government laws and regulations. Compliance with such laws and regulations can be subject to future government review and interpretation, as well as regulatory actions unknown or unasserted at this time.

Beginning in 1999, a series of class action lawsuits were filed against virtually all major entities in the health benefits business, including BCBSA and the BCBSA licensees. The suits allege that over a course of years the defendants have conspired to use criteria and standards for adjudication of provider claims that result in underpayment of provider claims. They allege that the defendants have been involved in a conspiracy to make false representations to providers and to conceal material information from providers about the manner in which claims are adjudicated. The Plaintiffs assert that the alleged misconduct violates the Racketeer Influenced and Corrupt Organizations Act (RICO). Plaintiffs seek treble damages and injunctive relief under RICO. The Company continues to maintain that the assertions made in this action are completely without foundation but, for entirely practical purposes, has reached an agreement in principle with the Plaintiffs. The court order related to this lawsuit was signed on April 19, 2008. The court order did not include a specific settlement date as an appeal was submitted by several physicians.

CFI and its affiliates have employment contracts and other benefit arrangements with certain executives which contain provisions that could trigger the acceleration of certain benefits and/or payment of additional compensation. Such acceleration occurs upon termination of employment without cause or for “good reason” as defined in the contract. Additional acceleration occurs if said termination occurs “in connection with a change of control.” Potential incremental payments related to sums owed for a termination in connection with a change of control have not been accrued as of December 31, 2008 or 2007, as management believes that the relevant triggering events have not occurred.

In June 2008, the District of Columbia Attorney General office filed suit against CFI and GHMSI alleging the breach of GHMSI’s federal charter as a “charitable and benevolent” institution. Also, the District of Columbia’s City Council Committee on Public Services and Consumer Affairs (D.C. City Council) launched an investigation of and issued a subpoena to GHMSI and CFI regarding various items including the accumulation of statutory surplus, rate setting, executive compensation, and community benefits. CFI has responded to these parties and has provided the information requested. In addition, the D.C. City Council has introduced legislation giving the District of Columbia’s Insurance Commissioner authority to cap those GHMSI statutory reserves attributable to the District of Columbia and compel the offering of an expanded open enrollment product in the District of Columbia. The legislation was passed by the D.C. City Council in December 2008. CFI is of the opinion that it is in a good position to effectively defend against the Attorney’s General action.

Various other lawsuits, including class action lawsuits and other claims, occur in the normal course of business and are pending against the Company. The Company records accruals for such matters when a loss is deemed to be probable and estimable. Management, after consultation with legal counsel, is of the opinion that the lawsuits and other claims, when resolved, will not have a material adverse effect on the accompanying consolidated financial statements; however, there can be no assurance in this regard.

In the jurisdictions in which the Company is licensed to conduct business, associations have been created for the purpose, among others, of protecting insured parties under health insurance policies. The Company is contingently liable for assessments in any calendar year, in order to provide any required funds to carry out the power and duties of the associations.

The Company, through CFI, operates under licensing agreements with BCBSA, whereby the Company uses the service marks of BCBSA in the course of its business. The Company files periodic reports with BCBSA.

CFMI and GHMSI have entered into an intercompany agreement that requires CFMI or GHMSI, or their respective subsidiaries, to provide the financial resources necessary to satisfy the respective regulatory reserve requirement, subject to specific limitations, if either CFMI or GHMSI or their respective subsidiaries fail to meet or maintain their respective regulatory reserve requirement as required by law, or if such transfer of financial resources is needed to satisfy any other legally enforceable obligation.

The Company’s professional liability coverage is on a claims-made basis. Should the claims-made policy not be renewed or replaced with equivalent insurance, claims based on occurrences during its term, but reported subsequently, will be uninsured. The claims-made policy has been renewed through November 1, 2009.

15. Leases

Future noncancelable minimum payments for leases are as follows *(in thousands)*:

2009	\$ 367
2010	379
2011	385
2012	398

NOTES TO FINANCIAL STATEMENTS

2013	405
Thereafter	560
Total minimum payments	\$ 2,494

Rent expense amounts allocated from its affiliates for the years ended December 31, 2008 and 2007, for all operating leases, was \$6,625,000 and \$4,484,000, respectively.

16. Information About Financial Instruments With Off-Balance Sheet Risk And Financial Instruments With Concentrations of Credit Risk

Not applicable.

17. Sale, Transfer and Servicing of Financial Assets and Extinguishments of Liabilities

Not applicable.

18. Gain or Loss to the Reporting Entity from Uninsured A&H Plans and the Uninsured Portion of Partially Insured Plans

Not applicable.

19. Direct Premium Written/Produced by Managing General Agents/Third Party Administrators

Not applicable.

20. Other Items

Not applicable.

21. Events Subsequent

Not applicable.

22. Reinsurance

The Company maintains a reinsurance agreement with GHMSI and CFMI providing stop-loss coverage for inpatient hospital claims. This coverage does not have an expiration date.

Effective April 1, 2008, the Company entered into a quota-share reinsurance agreement with The Dental Network, Inc. Under the terms of the agreement, the Company assumes all underwriting risk on the business written by The Dental Network, Inc. The Company assumed risk premiums in the amount of \$8,028,000 and incurred an underwriting loss in the amount of \$282,000 for the year ended December 31, 2008.

23. Retrospectively Rated Contracts

Not applicable.

24. Change in Incurred Claims and Claim Adjustment Expenses

Reserves for incurred claims and claim adjustment expenses attributable to insured events of prior years has decreased by \$2,935,000 from \$128,477,000 in 2007 to \$125,542,000 in 2008 as a result of reestimation of unpaid claims and claim adjustment expenses, principally on group contracts, based on lower care trends. Original estimates are increased or decreased as additional information becomes known regarding individual claims.

25. Intercompany Pooling Arrangements

Not applicable.

26. Structured Settlements

Not applicable.

27. Health Care Receivables

Pharmacy Rebates receivable are based on pharmacy utilization during the quarter as well as past experience of rebates received.

Quarter	Estimated Pharmacy Rebates as Reported on Financial Statements	Pharmacy Rebates as Invoice/ Confirmed	Actual Rebates Collected Within 90 Days of Invoicing/ Contractual Due Date	Actual Rebates Collected within 91-180 Days of Invoicing/ Contractual Due Date	Actual Rebates Collected More Than 180 days After Invoicing/ Contractual Due Date
12/31/2008	\$4,916,739	\$4,916,739	\$ –	\$ –	\$ –

NOTES TO FINANCIAL STATEMENTS

9/30/2008	4,916,739	4,916,739	2,491,570	-	-
6/30/2008	4,989,068	4,989,068	4,643,545	248,193	-
3/31/2008	4,546,773	4,546,773	4,402,409	59,988	137
12/31/2007	\$ 4,707,928	\$ 4,707,928	\$ 3,070,200	\$ 1,679,754	\$ -
9/30/2007	4,378,273	4,378,273	3,628,924	722,018	-
6/30/2007	4,353,211	4,353,211	4,150,067	201,964	3,137
3/31/2007	4,052,483	4,052,483	4,033,789	10,156	(17,302)
12/31/2006	\$ 3,893,250	\$ 3,893,250	\$ 3,376,451	\$ 506,389	\$ 13,366
9/30/2006	3,731,077	3,731,077	3,630,950	97,658	12,172
6/30/2006	3,721,892	3,721,892	3,426,207	335,675	28,133
3/31/2006	3,790,338	3,790,338	3,416,905	328,528	37,793

28. Participating Policies

Not applicable.

29. Premium Deficiency Reserve

Not applicable.

30. Salvage and Subrogation

The following discloses the estimated salvage and subrogation used in computing the Company’s unpaid claims liability:

Year Incurred	Amount
2007	\$ 1,023,000
2008	\$1,269,000

GENERAL INTERROGATORIES

PART 1 - COMMON INTERROGATORIES

GENERAL

- 1.1

Is the reporting entity a member of an Insurance Holding Company System consisting of two or more affiliated persons, one or more of which is an insurer?

Yes ☒ No ☐
- 1.2

If yes, did the reporting entity register and file with its domiciliary State Insurance Commissioner, Director or Superintendent or with such regulatory official of the state of domicile of the principal insurer in the Holding Company System, a registration statement providing disclosure substantially similar to the standards adopted by the National Association of Insurance Commissioners (NAIC) in its Model Insurance Holding Company System Regulatory Act and model regulations pertaining thereto, or is the reporting entity subject to standards and disclosure requirements substantially similar to those required by such Act and regulations?

Yes ☒ No ☐ NA ☐
- 1.3

State Regulating?

District of Columbia
- 2.1

Has any change been made during the year of this statement in the charter, by-laws, articles of incorporation, or deed of settlement of the reporting entity?

Yes ☐ No ☒
- 2.2

If yes, date of change:
- 3.1

State as of what date the latest financial examination of the reporting entity was made or is being made.

12/31/2008
- 3.2

State the as of date that the latest financial examination report became available from either the state of domicile or the reporting entity. This date should be the date of the examined balance sheet and not the date the report was completed or released.

12/31/2003
- 3.3

State as of what date the latest financial examination report became available to other states or the public from either the state of domicile or the reporting entity. This is the release date or completion date of the examination report and not the date of the examination (balance sheet date).

05/18/2005
- 3.4

By what department or departments?

District of Columbia Department of Insurance, Securities and Banking
- 3.5

Have all financial statement adjustments within the latest financial examination report been accounted for in a subsequent financial statement filed with departments?

Yes ☐ No ☐ NA ☒
- 3.6

Have all of the recommendations within the latest financial examination report been complied with?

Yes ☒ No ☐ NA ☐
- 4.1

During the period covered by this statement, did any agent, broker, sales representative, non-affiliated sales/service organization or any combination thereof under common control (other than salaried employees of the reporting entity) receive credit or commissions for or control a substantial part (more than 20 percent of any major line of business measured on direct premiums) of:
- 4.11

sales of new business?

Yes ☐ No ☒
- 4.12

renewals?

Yes ☐ No ☒
- 4.2

During the period covered by this statement, did any sales/service organization owned in whole or in part by the reporting entity or an affiliate, receive credit or commissions for or control a substantial part (more than 20 percent of any major line of business measured on direct premiums) of:
- 4.21

sales of new business?

Yes ☐ No ☒
- 4.22

renewals?

Yes ☐ No ☒
- 5.1

Has the reporting entity been a party to a merger or consolidation during the period covered by this statement?

Yes ☐ No ☒
- 5.2

If yes, provide the name of the entity, NAIC company code, and state of domicile (use two letter state abbreviation) for any entity that has ceased to exist as a result of the merger or consolidation.

1 Name of Entity	2 NAIC Company Code	3 State of Domicile

- 6.1

Has the reporting entity had any Certificates of Authority, licenses or registrations (including corporate registration, if applicable) suspended or revoked by any governmental entity during the reporting period?

Yes ☐ No ☒
- 6.2

If yes, give full information
- 7.1

Does any foreign (non-United States) person or entity directly or indirectly control 10% or more of the reporting entity?

Yes ☐ No ☒
- 7.2

If yes,
- 7.21

State the percentage of foreign control
- 7.22

State the nationality(s) of the foreign person(s) or entity(s) or if the entity is a mutual or reciprocal, the nationality of its manager or attorney - in - fact and identify the type of entity(s) (e.g., individual, corporation, government, manager or attorney - in - fact).

1 Nationality	2 Type of Entity

GENERAL INTERROGATORIES

- 8.1

Is the company a subsidiary of a bank holding company regulated by the Federal Reserve Board?

Yes [] No [X]
- 8.2

If response to 8.1 is yes, please identify the name of the bank holding company.
- 8.3

Is the company affiliated with one or more banks, thrifts or securities firms?.....

Yes [] No [X]
- 8.4

If response to 8.3 is yes, please provide the names and locations (city and state of the main office) of any affiliates regulated by a federal financial regulatory services agency [i.e. the Federal Reserve Board (FRB), the Office of the Comptroller of the Currency (OCC), the Office of Thrift Supervision (OTS), the Federal Deposit Insurance Corporation (FDIC) and the Securities Exchange Commission (SEC)] and identify the affiliate's primary federal regulator.

1	2	3	4	5	6	7
Affiliate Name	Location (City, State)	FRB	OCC	OTS	FDIC	SEC

9.

What is the name and address of the independent certified public accountant or accounting firm retained to conduct the annual audit?
ERNST & YOUNG, LLP, 621 EAST PRATT STREET, BALTIMORE, MD 21202
10.

What is the name, address and affiliation (officer/employee of the reporting entity or actuary/consultant associated with an actuarial consulting firm) of the individual providing the statement of actuarial opinion/certification?.....
PAULA HOLT, FSA, MAAA, ASSOCIATE VICE PRESIDENT, ACTUARY, 10455 MILL RUN CIRCLE, OWINGS MILLS, MD 21117
- 11.1

Does the reporting entity own any securities of a real estate holding company or otherwise hold real estate indirectly?

Yes [] No [X]

11.11

Name of real estate holding company

11.12

Number of parcels involved.....

11.13

Total book/adjusted carrying value.....

\$.....
- 11.2

If yes, provide explanation
12.

FOR UNITED STATES BRANCHES OF ALIEN REPORTING ENTITIES ONLY:
- 12.1

What changes have been made during the year in the United States manager or the United States trustees of the reporting entity?
Not Applicable.
- 12.2

Does this statement contain all business transacted for the reporting entity through its United States Branch on risks wherever located?

Yes [] No []
- 12.3

Have there been any changes made to any of the trust indentures during the year?

Yes [] No []
- 12.4

If answer to (12.3) is yes, has the domiciliary or entry state approved the changes?

Yes [] No [] NA []
- 13.1

Are the senior officers (principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions) of the reporting entity subject to a code of ethics, which includes the following standards?

Yes [X] No []

a.

Honest and ethical conduct, including the ethical handling of actual or apparent conflicts of interest between personal and professional relationships;

b.

Full, fair, accurate, timely and understandable disclosure in the periodic reports required to be filed by the reporting entity;

c.

Compliance with applicable governmental laws, rules and regulations;

d.

The prompt internal reporting of violations to an appropriate person or persons identified in the code; and

e.

Accountability for adherence to the code.
- 13.11

If the response to 13.1 is No, please explain:
- 13.2

Has the code of ethics for senior managers been amended?.....

Yes [] No [X]
- 13.21

If the response to 13.2 is Yes, provide information related to amendment(s).
- 13.3

Have any provisions of the code of ethics been waived for any of the specified officers?.....

Yes [] No [X]
- 13.31

If the response to 13.3 is Yes, provide the nature of any waiver(s).

BOARD OF DIRECTORS

14.

Is the purchase or sale of all investments of the reporting entity passed upon either by the board of directors or a subordinate committee thereof?

Yes [X] No []
15.

Does the reporting entity keep a complete permanent record of the proceedings of its board of directors and all subordinate committees thereof?

Yes [X] No []
16.

Has the reporting entity an established procedure for disclosure to its board of directors or trustees of any material interest or affiliation on the part of any of its officers, directors, trustees or responsible employees that is in conflict or is likely to conflict with the official duties of such person?.....

Yes [X] No []

GENERAL INTERROGATORIES
FINANCIAL

17.

Has this statement been prepared using a basis of accounting other than Statutory Accounting Principles (e.g., Generally Accepted Accounting Principles)?

Yes [] No [X]

18.1

Total amount loaned during the year (inclusive of Separate Accounts, exclusive of policy loans):

18.11 To directors or other officers

\$

0

18.12 To stockholders not officers

\$

0

18.13 Trustees, supreme or grand (Fraternal only)

\$

0

18.2

Total amount of loans outstanding at end of year (inclusive of Separate Accounts, exclusive of policy loans):

18.21 To directors or other officers

\$

0

18.22 To stockholders not officers

\$

0

18.23 Trustees, supreme or grand (Fraternal only)

\$

0

19.1

Were any assets reported in the statement subject to a contractual obligation to transfer to another party without the liability for such obligation being reported in the statement?

Yes [] No [X]

19.2

If yes, state the amount thereof at December 31 of the current year:

19.21 Rented from others

\$

19.22 Borrowed from others

\$

19.23 Leased from others

\$

19.24 Other

\$

20.1

Does this statement include payments for assessments as described in the *Annual Statement Instructions* other than guaranty fund or guaranty association assessments?

Yes [] No [X]

20.2

If answer is yes:

20.21 Amount paid as losses or risk adjustment

\$

20.22 Amount paid as expenses

\$

20.23 Other amounts paid

\$

21.1

Does the reporting entity report any amounts due from the parent, subsidiaries or affiliates on Page 2 of this statement?

Yes [X] No []

21.2

If yes, indicate any amounts receivable from parent included in the Page 2 amount:

\$

0

INVESTMENT

22.1

Were all the stocks, bonds and other securities owned December 31 of current year, over which the reporting entity has exclusive control, in the actual possession of the reporting entity on said date? (other than securities lending programs addressed in 22.3).

Yes [] No [X]

22.2

If no, give full and complete information relating thereto:

Special Deposits

22.3

For security lending programs, provide a description of the program including value for collateral and amount of loaned securities, and whether collateral is carried on or off-balance sheet. (an alternative is to reference Note 16 where this information is also provide)

Not Applicable.

22.4

Does the company's security lending program meet the requirements for a conforming program as outlined in the Risk-Based Capital Instructions?

Yes [] No []

22.5

If answer to 22.4 is YES, report amount of collateral

\$

22.6

If answer to 22.4 is NO, report amount of collateral.

\$

23.1

Were any of the stocks, bonds or other assets of the reporting entity owned at December 31 of the current year not exclusively under the control of the reporting entity or has the reporting entity sold or transferred any assets subject to a put option contract that is currently in force? (Exclude securities subject to Interrogatory 19.1 and 22.3)

Yes [X] No []

23.2

If yes, state the amount thereof at December 31 of the current year:

23.21 Subject to repurchase agreements

\$

23.22 Subject to reverse repurchase agreements

\$

23.23 Subject to dollar repurchase agreements

\$

23.24 Subject to reverse dollar repurchase agreements

\$

23.25 Pledged as collateral

\$

23.26 Placed under option agreements

\$

23.27 Letter stock or securities restricted as to sale

\$

23.28 On deposit with state or other regulatory body

\$

650,000

23.29 Other

\$

23.3

For category (23.27) provide the following:

1 Nature of Restriction	2 Description	3 Amount

24.1

Does the reporting entity have any hedging transactions reported on Schedule DB?

Yes [] No [X]

24.2

If yes, has a comprehensive description of the hedging program been made available to the domiciliary state? If no, attach a description with this statement.

Yes [] No [] NA [X]

25.1

Were any preferred stocks or bonds owned as of December 31 of the current year mandatorily convertible into equity, or, at the option of the issuer, convertible into equity?

Yes [X] No []

25.2

If yes, state the amount thereof at December 31 of the current year.

\$

1,389,006

GENERAL INTERROGATORIES

26. Excluding items in Schedule E-Part 3-Special Deposits, real estate, mortgage loans and investments held physically in the reporting entity's offices, vaults or safety deposit boxes, were all stocks, bonds and other securities, owned throughout the current year held pursuant to a custodial agreement with a qualified bank or trust company in accordance with Section 3, III Conducting Examinations, F - Custodial or Safekeeping agreements of the NAIC Financial Condition Examiners Handbook? Yes [X] No []

26.01 For agreements that comply with the requirements of the NAIC Financial Condition Examiners Handbook, complete the following:

<div>1</div> <div>Name of Custodian(s)</div>	<div>2</div> <div>Custodian's Address</div>
SUNTRUST BANK.....	1445 NEW YORK AVE., WASHINGTON, DC. 20005.....

26.02 For all agreements that do not comply with the requirements of the NAIC Financial Condition Examiners Handbook, provide the name, location and a complete explanation:

<div>1</div> <div>Name(s)</div>	<div>2</div> <div>Location(s)</div>	<div>2</div> <div>Complete Explanation(s)</div>
.....

26.03 Have there been any changes, including name changes, in the custodian(s) identified in 26.01 during the current year? Yes [] No [X]

26.04 If yes, give full and complete information relating thereto:

<div>1</div> <div>Old Custodian</div>	<div>2</div> <div>New Custodian</div>	<div>3</div> <div>Date of Change</div>	<div>4</div> <div>Reason</div>
.....

26.05 Identify all investment advisors, brokers/dealers or individuals acting on behalf of broker/dealers that have access to the investment accounts, handle securities and have authority to make investments on behalf of the reporting entity:

<div>1</div> <div>Central Registration Depository Number(s)</div>	<div>2</div> <div>Name</div>	<div>2</div> <div>Address</div>
15958.....	VANGUARD.....	P.O. BOX 2900, VALLEY FORGE, PA. 19482 - 2900.....
104596.....	DODGE AND COX.....	55 CALIFORNIA ST., SAN FRANCISCO, CA. 94104.....
107105.....	BLACKROCK INVESTMENT ADVISORS.....	100 BELLEVUE PARKWAY, WILMINGTON, DE. 19809.....
10578.....	CALAMOS INVESTMENTS.....	1111 EAST WARRENVILLE RD., NAPERVILLE, IL.60563 - 1493.....

27.1 Does the reporting entity have any diversified mutual funds reported in Schedule D, Part 2 (diversified according to the Securities and Exchange Commission (SEC) in the Investment Company Act of 1940 [Section 5 (b) (1)])?..... Yes [X] No []

27.2 If yes, complete the following schedule:

<div>1</div> <div>CUSIP #</div>	<div>2</div> <div>Name of Mutual Fund</div>	<div>3</div> <div>Book/Adjusted Carrying Value</div>
27.2001. 922908-88-4.....	Vanguard Extended Market Index Fund.....	18,660,177.....
27.2002. 922040-10-0.....	Vanguard Institutional Index Fund.....	19,985,547.....
27.2003. 921909-80-0.....	Vanguard Institutional Develop Markets Index Fund.....	22,652,770.....
27.2999 TOTAL		61,298,494.....

27.3 For each mutual fund listed in the table above, complete the following schedule:

<div>1</div> <div>Name of Mutual Fund (from above table)</div>	<div>2</div> <div>Name of Significant Holding Of the Mutual Fund</div>	<div>3</div> <div>Amount of Mutual Fund's Book/Adjusted Carrying Value Attributable to the Holding</div>	<div>4</div> <div>Date of Valuation</div>
Vanguard Extended Market Index Fund.....	Genentech Inc.....	443,152.....	12/31/2008.....
Vanguard Extended Market Index Fund.....	Visa Inc.....	215,413.....	12/31/2008.....
Vanguard Extended Market Index Fund.....	Delta Air Lines Inc.....	79,263.....	12/31/2008.....
Vanguard Extended Market Index Fund.....	Bunge Ltd.....	72,816.....	12/31/2008.....
Vanguard Extended Market Index Fund.....	First Solar Inc.....	65,610.....	12/31/2008.....
Vanguard Institutional Index Fund.....	Exxon Mobil Corp.....	1,039,451.....	12/31/2008.....
Vanguard Institutional Index Fund.....	Proctor and Gamble.....	472,588.....	12/31/2008.....
Vanguard Institutional Index Fund.....	General Electric Co.....	435,487.....	12/31/2008.....
Vanguard Institutional Index Fund.....	AT.&.T Inc.....	430,013.....	12/31/2008.....
Vanguard Institutional Index Fund.....	Johnson and Johnson.....	424,944.....	12/31/2008.....
Vanguard Institutional Develop Markets Index Fund.....	Nestle.....	651,026.....	12/31/2008.....
Vanguard Institutional Develop Markets Index Fund.....	BP PLC.....	596,360.....	12/31/2008.....

GENERAL INTERROGATORIES

1	2	3	4
Name of Mutual Fund (from above table)	Name of Significant Holding Of the Mutual Fund	Amount of Mutual Fund's Book/Adjusted Carrying Value Attributable to the Holding	Date of Valuation
Vanguard Institutional Develop Markets Index Fund.....	HSBC Holdings.....	.....515,038	.....12/31/2008.....
Vanguard Institutional Develop Markets Index Fund.....	Novartis.....	.....511,424	.....12/31/2008.....
Vanguard Institutional Develop Markets Index Fund.....	Total SA.....	.....507,132	.....12/31/2008.....

GENERAL INTERROGATORIES

28. Provide the following information for all short-term and long-term bonds and all preferred stocks. Do not substitute amortized value or statement value for fair value.

	1	2	3
	Statement (Admitted) Value	Fair Value	Excess of Statement over Fair Value (-) or Fair Value over Statement (+)
28.1 Bonds.....	454,879,673	439,487,853	(15,391,820)
28.2 Preferred stocks.....	3,254,294	3,269,182	14,888
28.3 Totals	458,133,967	442,757,035	(15,376,932)

28.4 Describe the sources or methods utilized in determining the fair values:

CUSTODIAN BANK.....

29.1 Have all the filing requirements of the *Purposes and Procedures Manual* of the NAIC Securities Valuation Office been followed? Yes [X] No []

29.2 If no, list exceptions:

OTHER

30.1 Amount of payments to trade associations, service organizations and statistical or rating bureaus, if any?.....\$702,346

30.2 List the name of the organization and the amount paid if any such payment represented 25% or more of the total payments to trade associations, service organizations and statistical or rating bureaus during the period covered by this statement.

1 Name	2 Amount Paid
BlueCross BlueShield Association.....	515,978

31.1 Amount of payments for legal expenses, if any?.....\$0

31.2 List the name of the firm and the amount paid if any such payment represented 25% or more of the total payments for legal expenses during the period covered by this statement.

1 Name	2 Amount Paid
.....
.....

32.1 Amount of payments for expenditures in connection with matters before legislative bodies, officers or departments of government, if any?.....\$0

32.2 List the name of the firm and the amount paid if any such payment represented 25% or more of the total payment expenditures in connection with matters before legislative bodies, officers or departments of government during the period covered by this statement.

1 Name	2 Amount Paid
.....
.....

ANNUAL STATEMENT FOR THE YEAR 2008 OF THE CareFirst BlueChoice, Inc.

GENERAL INTERROGATORIES

PART 2 - HEALTH INTERROGATORIES

1.1	Does the reporting entity have any direct Medicare Supplement Insurance in force?	Yes [<input type="checkbox"/>] No [<input checked="" type="checkbox"/>]								
1.2	If yes, indicate premium earned on U. S. business only	\$								
1.3	What portion of Item (1.2) is not reported on the Medicare Supplement Insurance Experience Exhibit?	\$								
	1.31 Reason for excluding									
1.4	Indicate amount of earned premium attributable to Canadian and/or Other Alien not included in Item (1.2) above.	\$								
1.5	Indicate total incurred claims on all Medicare Supplement insurance.	\$								
1.6	Individual policies:									
	Most current three years:									
	1.61 Total premium earned	\$								
	1.62 Total incurred claims	\$								
	1.63 Number of covered lives								
	All years prior to most current three years:									
	1.64 Total premium earned	\$								
	1.65 Total incurred claims	\$								
	1.66 Number of covered lives								
1.7	Group policies:									
	Most current three years:									
	1.71 Total premium earned	\$								
	1.72 Total incurred claims	\$								
	1.73 Number of covered lives								
	All years prior to most current three years:									
	1.74 Total premium earned	\$								
	1.75 Total incurred claims	\$								
	1.76 Number of covered lives								
2.	Health Test:									
	<table border="0" style="margin: auto;"> <tr> <td></td> <td style="text-align: center;">1</td> <td></td> <td style="text-align: center;">2</td> </tr> <tr> <td></td> <td style="text-align: center;">Current Year</td> <td></td> <td style="text-align: center;">Prior Year</td> </tr> </table>		1		2		Current Year		Prior Year	
	1		2							
	Current Year		Prior Year							
	2.1 Premium Numerator \$	1,743,313,552	\$	1,591,324,597						
	2.2 Premium Denominator \$	1,743,313,552	\$	1,591,324,597						
	2.3 Premium Ratio (2.1/2.2)	1.000		1.000						
	2.4 Reserve Numerator \$	161,845,364	\$	138,904,859						
	2.5 Reserve Denominator \$	161,845,364	\$	138,904,859						
	2.6 Reserve Ratio (2.4/2.5)	1.000		1.000						
3.1	Has the reporting entity received any endowment or gift from contracting hospitals, physicians, dentists, or others that is agreed will be returned when, as and if the earnings of the reporting entity permits?	Yes [<input type="checkbox"/>] No [<input checked="" type="checkbox"/>]								
3.2	If yes, give particulars:									
4.1	Have copies of all agreements stating the period and nature of hospitals', physicians', and dentists' care offered to subscribers and dependents been filed with the appropriate regulatory agency?	Yes [<input checked="" type="checkbox"/>] No [<input type="checkbox"/>]								
4.2	If not previously filed, furnish herewith a copy(ies) of such agreement(s). Do these agreements include additional benefits offered?	Yes [<input type="checkbox"/>] No [<input type="checkbox"/>]								
5.1	Does the reporting entity have stop-loss reinsurance?	Yes [<input checked="" type="checkbox"/>] No [<input type="checkbox"/>]								
5.2	If no, explain:									
	Aggregate level only (see attachment for details)									
5.3	Maximum retained risk (see instructions)									
	5.31 Comprehensive Medical	\$								
	5.32 Medical Only	\$								
	5.33 Medicare Supplement	\$								
	5.34 Dental and vision	\$								
	5.35 Other Limited Benefit Plan	\$								
	5.36 Other	\$								
6.	Describe arrangement which the reporting entity may have to protect subscribers and their dependents against the risk of insolvency including hold harmless provisions, conversion privileges with other carriers, agreements with providers to continue rendering services, and any other agreements:									
	Intercompany Support Agreement from CareFirst of Maryland, Inc. and Group Hospitalization and Medical Services, Inc.									
7.1	Does the reporting entity set up its claim liability for provider services on a service date base?	Yes [<input checked="" type="checkbox"/>] No [<input type="checkbox"/>]								
7.2	If no, give details:									
8.	Provide the following information regarding participating providers:									
	8.1 Number of providers at start of reporting year	24,036								
	8.2 Number of providers at end of reporting year	25,568								
9.1	Does the reporting entity have business subject to premium rate guarantees?	Yes [<input checked="" type="checkbox"/>] No [<input type="checkbox"/>]								
9.2	If yes, direct premium earned:									
	9.21 Business with rate guarantees between 15-36 months	0								
	9.22 Business with rate guarantees over 36 months	0								

GENERAL INTERROGATORIES

10.1 Does the reporting entity have Incentive Pool, Withhold or Bonus Arrangements in its provider contract?

Yes [] No [X]

10.2 If yes:

10.21 Maximum amount payable bonuses

\$

10.22 Amount actually paid for year bonuses

\$

10.23 Maximum amount payable withholds

\$

10.24 Amount actually paid for year withholds

\$

11.1 Is the reporting entity organized as:

11.12 A Medical Group/Staff Model,

Yes [] No [X]

11.13 An Individual Practice Association (IPA), or,

Yes [X] No []

11.14 A Mixed Model (combination of above) ?

Yes [] No [X]

11.2 Is the reporting entity subject to Minimum Net Worth Requirements?

Yes [X] No []

11.3 If yes, show the name of the state requiring such net worth.

District of Columbia

11.4 If yes, show the amount required.

\$84,203,099

11.5 Is this amount included as part of a contingency reserve in stockholder's equity?

Yes [] No [X]

11.6 If the amount is calculated, show the calculation.

12. List service areas in which reporting entity is licensed to operate:

1
Name of Service Area
State of Maryland.....
District of Columbia.....
Virginia: the cities of Alexandria and Fairfax; the town of Vienna; Arlington County and the areas of Fairfax and Prince William Counties in Virginia lying east of Route 123.....

Question 5.2 Explanation for stoploss reinsurance

Under the current terms of the contract, BlueChoice will pay claims in excess of a 105% loss ratio through a self-administered Annual Experience Fund. The Annual Experience Fund is created from the reinsurance premiums, which are currently \$25,000. If stop loss claims (i.e., claims over a loss ratio of 105%) are greater than the Annual Experience Fund, CFMI and GHMSI will be liable for the deficit. CFMI and GHMSI will share the liability for the deficit based upon their respective ownership percentage of BlueChoice at the beginning of the calendar year.

Question 11.6 Minimum net worth requirements

Under the laws of the District of Columbia, the Company is required to maintain a minimum net worth (Surplus) of 84,203,099 at December 31, 2008`. This minimum net worth (Surplus) is calculated as the greater of:

- (A) \$1,000,000;
- (B) 2% of annual dues revenues as reported on the most recent annual financial statement filed with the Commissioner on the first \$150,000,000 of dues and 1% of annual dues on the dues in excess of \$150,000,000;
- (C) An amount equal to the sum of 3 months uncovered health care expenditures as reported on the most recent financial statement filed with the Commissioner; or
- (D) An amount equal to the sum of:
 - (i) 8% of annual health care expenditures except those paid on a capitated basis or managed hospital payment basis as reported on the most recent financial statement filed with the Commissioner; and
 - (ii) 4% of annual hospital expenditures paid on a managed hospital payment basis as reported on the most recent financial statement filed with the Commissioner.

- (A) 1,000,000
- (B) 18,964,158
- (C) 20,419,200
- (D) 84,203,099 (greatest amount)

Under the code of Maryland, the Company is required to maintain a surplus that exceeds the liabilities in an amount that is at least equal to the greater of \$750,000 or 5 percent of the subscription charges earned during the prior calendar year (not to exceed \$3,000,000) as recorded in the annual report filed with the Commissioner. At December 31, 2008, the minimum surplus requirement is \$3,000,000.

Under the code of Virginia, the Company is required to maintain a minimum net worth in an amount at least equal to the sum of uncovered expenses, but not less than \$600,000, up to a maximum of \$4,000,000; uncovered expenses shall be amounts determined from the most recently ended calendar quarter pursuant to regulations promulgated by the Commission. At December 31, 2008, the minimum surplus requirement is \$4,000,000.

FIVE-YEAR HISTORICAL DATA

	1 2008	2 2007	3 2006	4 2005	5 2004
Balance Sheet (Pages 2 and 3)					
1. Total admitted assets (Page 2, Line 26)	645,508,455	623,745,329	520,171,520	453,250,677	407,966,588
2. Total liabilities (Page 3, Line 22)	238,833,072	224,324,025	194,512,096	199,618,660	185,826,638
3. Statutory surplus	84,203,099	73,058,919	64,952,497	61,657,751	51,310,585
4. Total capital and surplus (Page 3, Line 31)	406,675,383	399,421,304	325,659,424	253,632,017	222,139,950
Income Statement (Page 4)					
5. Total revenues (Line 8)	1,746,415,767	1,588,632,329	1,404,054,515	1,285,226,181	1,044,153,534
6. Total medical and hospital expenses (Line 18)	1,462,469,755	1,259,260,239	1,120,546,754	1,051,450,596	829,698,143
7. Claims adjustment expenses (Line 20)	54,772,752	46,867,230	40,032,299	41,323,212	41,896,926
8. Total administrative expenses (Line 21)	222,550,634	202,550,860	178,699,887	173,518,159	136,315,606
9. Net underwriting gain (loss) (Line 24)	6,622,626	79,954,000	64,775,575	18,934,214	36,242,859
10. Net investment gain (loss) (Line 27)	11,501,878	22,234,630	16,884,166	20,744,344	15,670,266
11. Total other income (Lines 28 plus 29)	(940,277)	129,018	(617)	74,618	(467,266)
12. Net income (loss) (Line 32)	19,312,560	80,599,322	64,586,970	33,098,441	40,402,512
Cash Flow (Page 6)					
13. Net cash from operations (Line 11)	45,640,000	84,719,518	57,771,524	49,290,690	25,943,215
Risk - Based Capital Analysis					
14. Total adjusted capital	406,675,383	399,421,304	325,659,424	253,632,017	222,139,950
15. Authorized control level risk-based capital	55,151,892	48,453,502	42,964,993	40,322,556	32,232,430
Enrollment (Exhibit 1)					
16. Total members at end of period (Column 5, Line 7)	566,437	656,623	450,060	446,347	405,618
17. Total member months (Column 6, Line 7)	6,999,903	7,620,204	5,279,763	5,250,603	4,599,200
Operating Percentage (Page 4)					
(Item divided by Page 4, sum of Lines 2, 3 and 5) x 100.0					
18. Premiums earned plus risk revenue (Line 2 plus Lines 3 and 5)	100.0	100.0	100.0	100.0	100.0
19. Total hospital and medical plus other non-health (Lines 18 plus 19)	83.7	79.3	79.8	81.8	79.5
20. Cost containment expenses	0.8	0.9	0.9	0.9	xxx
21. Other claims adjustment expenses	2.4	2.1	1.9	2.3	2.9
22. Total underwriting deductions (Line 23)	99.6	95.0	95.4	98.5	96.5
23. Total underwriting gain (loss) (Line 24)	0.4	5.0	4.6	1.5	3.5
Unpaid Claims Analysis					
(U&I Exhibit, Part 2B)					
24. Total claims incurred for prior years (Line 13, Col. 5)	120,346,609	97,928,939	107,820,763	79,697,568	90,825,948
25. Estimated liability of unpaid claims – [prior year (Line 13, Col. 6)]	123,281,887	120,266,238	119,898,022	95,004,231	109,123,945
Investments In Parent, Subsidiaries And Affiliates					
26. Affiliated bonds (Sch. D Summary, Line 25, Col. 1)	0	0	0	0	0
27. Affiliated preferred stocks (Sch. D Summary, Line 39, Col. 1)	0	0	0	0	0
28. Affiliated common stocks (Sch. D Summary, Line 53, Col. 1)	3,624,931	2,654,677	2,979,205	2,892,331	2,932,830
29. Affiliated short-term investments (subtotal included in Sch. DA, Part 2, Col. 5, Line 7)	0	0	0	0	0
30. Affiliated mortgage loans on real estate		0	0	0	0
31. All other affiliated		0	0	0	0
32. Total of above Lines 26 to 31	3,624,931	2,654,677	2,979,205	2,892,331	2,932,830

SCHEDULE T - PREMIUMS AND OTHER CONSIDERATIONS

Allocated by States and Territories

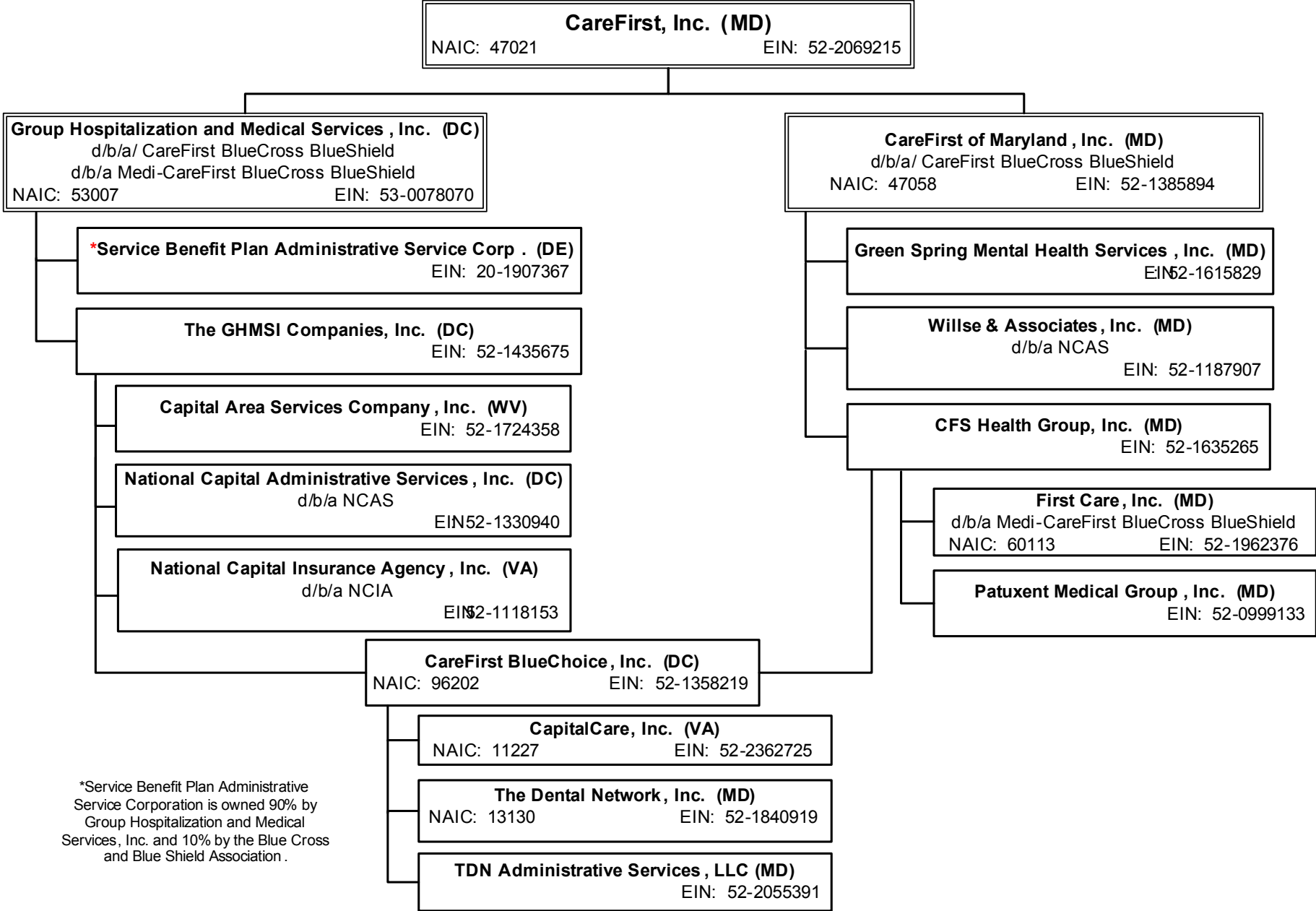
		1	Direct Business Only							
			2	3	4	5	6	7	8	9
States, Etc.		Active Status	Accident & Health Premiums	Medicare Title XVIII	Medicaid Title XIX	Federal Employees Health Benefit Program Premiums	Life & Annuity Premiums & Other Considerations	Property/ Casualty Premiums	Total Columns 2 Through 7	Deposit-Type Contracts
1. Alabama	AL								.0	.0
2. Alaska	AK								.0	.0
3. Arizona	AZ								.0	.0
4. Arkansas	AR								.0	.0
5. California	CA								.0	.0
6. Colorado	CO								.0	.0
7. Connecticut	CT								.0	.0
8. Delaware	DE								.0	.0
9. District of Columbia	DC	L	162,380,671			75,936,367			238,317,038	.0
10. Florida	FL								.0	.0
11. Georgia	GA								.0	.0
12. Hawaii	HI								.0	.0
13. Idaho	ID								.0	.0
14. Illinois	IL								.0	.0
15. Indiana	IN								.0	.0
16. Iowa	IA								.0	.0
17. Kansas	KS								.0	.0
18. Kentucky	KY								.0	.0
19. Louisiana	LA								.0	.0
20. Maine	ME								.0	.0
21. Maryland	MD	L	1,302,444,830						1,302,444,830	.0
22. Massachusetts	MA								.0	.0
23. Michigan	MI								.0	.0
24. Minnesota	MN								.0	.0
25. Mississippi	MS								.0	.0
26. Missouri	MO								.0	.0
27. Montana	MT								.0	.0
28. Nebraska	NE								.0	.0
29. Nevada	NV								.0	.0
30. New Hampshire	NH								.0	.0
31. New Jersey	NJ								.0	.0
32. New Mexico	NM								.0	.0
33. New York	NY								.0	.0
34. North Carolina	NC								.0	.0
35. North Dakota	ND								.0	.0
36. Ohio	OH								.0	.0
37. Oklahoma	OK								.0	.0
38. Oregon	OR								.0	.0
39. Pennsylvania	PA								.0	.0
40. Rhode Island	RI								.0	.0
41. South Carolina	SC								.0	.0
42. South Dakota	SD								.0	.0
43. Tennessee	TN								.0	.0
44. Texas	TX								.0	.0
45. Utah	UT								.0	.0
46. Vermont	VT								.0	.0
47. Virginia	VA	L	194,548,619						194,548,619	.0
48. Washington	WA								.0	.0
49. West Virginia	WV								.0	.0
50. Wisconsin	WI								.0	.0
51. Wyoming	WY								.0	.0
52. American Samoa	AS								.0	.0
53. Guam	GU								.0	.0
54. Puerto Rico	PR								.0	.0
55. U.S. Virgin Islands	VI								.0	.0
56. Northern Mariana Islands	MP								.0	.0
57. Canada	CN								.0	.0
58. Aggregate Other Alien	OT	XXX	.0	.0	.0	.0	.0	.0	.0	.0
59. Subtotal	XXX		1,659,374,120	.0	.0	75,936,367	.0	.0	1,735,310,487	.0
60. Reporting entity contributions for Employee Benefit Plans	XXX								.0	
61. Total (Direct Business)	(a) 3		1,659,374,120	0	0	75,936,367	0	0	1,735,310,487	0
DETAILS OF WRITE-INS										
5801.	XXX									
5802.	XXX									
5803.	XXX									
5898. Summary of remaining write-ins for Line 58 from overflow page	XXX		.0	.0	.0	.0	.0	.0	.0	
5899. Totals (Lines 5801 through 5803 plus 5898) (Line 58 above)	XXX		0	0	0	0	0	0	0	

Explanation of basis of allocation by states, premiums by state, etc.

(a) Insert the number of yes responses except for Canada and other Alien.

SCHEDULE Y - INFORMATION CONCERNING ACTIVITIES OF INSURER MEMBERS OF A HOLDING COMPANY GROUP

PART 1 - ORGANIZATIONAL CHART



*Service Benefit Plan Administrative Service Corporation is owned 90% by Group Hospitalization and Medical Services, Inc. and 10% by the Blue Cross and Blue Shield Association.

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(http://www.naic.org/committees_e_app_blanks.htm)

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